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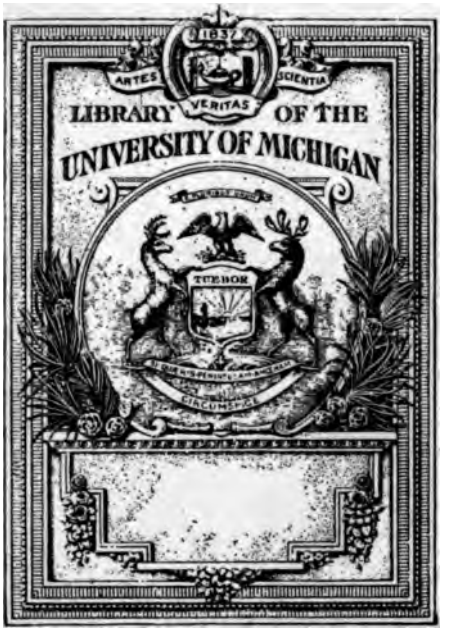

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War and Armament Expenditures of Japan, by Giichi Ono.

WAR AND ARMAMENT EXPENDITURES OF JAPAN

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NOTE BY THE DIRECTOR

The plans of the Division of Economics and History of the Carnegie Endowment for International Peace have been transformed by the World War. Problems now calling for study transcend in importance those with which this Division has been dealing and material for research and record so far transcends any that was formerly available that it will demand almost exclusive attention for some years to come. A new world has evolved suddenly out of the world which we knew and the transformation extends to the foundations of government and of economic life.

The process of warfare itself is now so unlike that of former days that many military rules of the past have gone into the scrap basket. The late war ended when its deadliest tools had barely been brought into action. The peoples have fought as they had worked, by machinery, mechanical and chemical engines of destruction have decided the result and will decide in like manner the result of all wars of the future. Machine shops and chemical laboratories will so largely determine what armies shall win that fighting strength will be as much a matter of available capital and of science in applying it as of numbers of troops and strategy in directing them. It is safe to say that the death dealing arts and instruments will far surpass in destructiveness those which made the late war so deadly, and to a soldier of the future the order to march into a cloud of poisonous gas and a whirlwind of missiles will resemble an order to plunge into the rapids of Niagara. This is one central and obvious fact which the war has taught us and it has many corollaries, some of which have to do with the increased costs of war and the importance of the particular resources that make a nation powerful for offense and defense; but there are less conspicuous economic facts which are more fundamental, since they may determine where and when, if at all, wars shall hereafter occur.

Causes of warfare are always partly economic and those which incited the recent one were mainly so. The business plans of a powerful state reached to the ends of the earth

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and so crossed and interlaced the claims of other states that some writers, then and afterwards, pronounced the war inevitable. If we assume a settled purpose on the part of such a state to encroach on the rights of others, we may say that it doubtless was inevitable. The victory of the defending countries has saved them from an immediate and intolerable domination, but it can not be taken as an assured fact that similar attempts will never again be made. The economic inducement continues and the means may at some time be forthcoming.

Within the several states war has democratized industry, giving to labor an increase of control—a change that if continued will entail momentous consequences; but still greater effects have been produced on the relations of states to each other. The world as a whole has changed more than its component parts and the new relation of the parts to one another is the critical element in the situation. The great increase in the economic functions of governments is one cause of this condition. Within the great international community in which the several states are units extensive economic functions have gravitated into the hands of governments and caused them to face each other as business rivals and to deal with each other in a multitude of ways in which the merely self-seeking policy of private business is intolerable. Power to invoke principles of justice and international law as interpreted by a competent court has become an indispensable means of allaying strife and this fact exalts to supreme importance the high court of nations which has just been established. It magnifies also the importance of the economic facts and principles with which the law itself will have to deal. It is not merely individual men or private corporations who now meet each other in the rough and tumble of a world-wide mart but states themselves, each representing its own population and seeking to foster its interests as a zealous and faithful agent. The chances of friction that are inherent in ordinary commerce inhere today in vast international transactions and will increase in the measure in which the intercourse grows. All this means a

great increase in incentives to warfare, on the one hand, and in the motives for preventing it, on the other. Private commerce unites more than it separates those who participate in it, and it remains to be seen whether international commerce will act in the same way; but, in view of what modern war means, the human race will deserve to perish, and much of it will probably do so, if the forces of strife are allowed to get the upper hand. Whether they will or not—whether the recent economic changes will tend to reduce warfare or to increase it—depends on the ability of nations to create and maintain the instrumentalities that in the new state of the world are necessary.

Certain it is that the feeling which prevails today, the world over, is not one of security. The dread of further war is greater than it was before 1914. In some areas war still prevails, in others peace is held by a precarious tenure and in all it can be firmly established only by conscious and intelligent action by the states themselves. Mere exhaustion holds war dogs temporarily in leash, but it will take more than that to tame them as they must be tamed if peace is to endure.

We here confront a wide difference between the several states in comparative desire for peace and disposition to maintain it. One portentous fact is the grim determination of Russian communists to extend their system by crude force from state to state. Bolshevism is government by the few and largely the bad masquerading as government for and by the people. In its mother country, Russia, the economic measure by which it began its career was confiscation of private wealth—in itself an ultra-democratic measure. If this had brought in a true communism, it would have been a ruthless and unjust measure for creating a peace-loving state. A just and orderly democratizing of industry in the several states would give new strength to the forces of peace, and it would be highly improbable that any state so influenced would try to extend its system over foreign countries by military invasion. Democracy, socialism, communism and bolshevism all appear in the aftermath of the war. The first of

them makes for future peace and so does even the conservative element in the second, while all else in the series means certainty of civil strife and danger of international war.

The fact that during the war governments had to take on innumerable functions that were formerly in private hands has lent an impetus to socialism and to the perverted growths that have accompanied it, and it has created a new international system the meaning of which is profoundly significant, though he who runs can not so easily read it. There are dangerous features in the system which the war evoked and, happily for mankind, there are available safeguards which were evoked with them and need to be retained if human effort can do it.

By a compulsion that there was no resisting, the war forced the nations of the Entente into economic cooperation with each other. Commissions centering finally in the Supreme Economic Council adjusted in a harmonious way questions that would otherwise have led to rivalry and conflicting action in purchasing war materials, securing ships, apportioning food, controlling railroads, financing the war and doing a multitude of other things with the one common purpose of victory. The special compulsion of the struggle is over, but it has left an aftermath of issues grave enough to make peace insecure unless something equivalent to the Supreme Economic Council survives in full efficiency. The agency that did so much to win the war can do so much to prevent another one, but to that end it will have to be guided by economic principles and it is a saving fact that these still survive. The war has not abolished the law of demand and supply, though governments may forget it. In the coming era they must build better than they now know. Economic knowledge must either go in advance of action and prevent disaster or follow action and be learned from disaster. Beyond computation is the importance of attaining the knowledge and using it when evil impends and prevention is possible.

JOHN BATES CLARK,
Director.

NEW YORK,
September 27, 1920.

PREFACE

The present volume is intended to set forth the results of a statistical investigation of the economic effects of the wars in which Japan has taken part since the beginning of the Meiji Era (1868), particularly from the standpoint of expenditures for war and armament. This volume forms part of the whole historical investigation into the relations of war and armament to the national economy since the first year of the Meiji Era, as embraced in the other volumes dealing with Taxes for War and Armament, Loans for War and Armament, the System of Conscription, the Sino-Japanese War Expenditures, the Russo-Japanese War Expenditures, and the Development of Military Industries. It may be said that this volume stands as an introduction to all the above-mentioned works.

The present investigation being mainly a statistical exposition of the relations of war and armament to economy from the standpoint of state expenditures, it may seem as if almost the entire volume is devoted to compilations of figures. I trust, however, that the reader will duly appreciate the painstaking care which the compilers have taken in extracting the figures of expenditures for war and armament from the Annual Accounts extending over the past forty-six years, in arranging them in a proper way, and in giving careful explanations of their nature and significance. Those who will study these figures with considerable care will be able to comprehend various other points not supplied by the compiler.

The value of the materials of a book is generally proportionate to their degree of accuracy. In the present undertaking the compilers did their utmost to make the figures correct; but notwithstanding all the pains they have bestowed on its execution, there may be room for criticism of their manner of selecting and arranging the innumerable items laboriously extracted from the big volumes containing the vast Annual Accounts. In the preparation of this volume and the other volumes of

these investigations, the respective compilers have often held conferences among themselves in order to arrive at a certain uniformity of method and treatment; but it could not be helped if they have allowed certain discrepancies or disagreements to creep in, owing to the difference of objects for which the several volumes have been compiled, and also to differences of opinion on the part of the several compilers.

The present volume has been compiled chiefly by Mr. Hyoye Ouchi, myself acting as supervisor of the work. In the supervising, my chief aim was to provide the skeleton of the work and to make a careful examination of the figures, which latter was the most important task from the nature of the investigation.

Our thanks are due to the authorities in the Departments of Finance, War, and Navy, who have given us every facility in the present work, and to Mr. Juichi Tsushima, who began the undertaking, but, owing to his having gone abroad on a government mission, gave it up and submitted to us his valuable materials.

GIICHI ONO.

TOKYO, JAPAN,
April, 1916.

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EXPLANATORY TABLES

Value of Japanese Currencies

Japan adopted the gold standard system in 1871, but the inconvertible paper money became principal currency a few years later. In 1886 the paper money became convertible into silver and after that date the Japanese currency system was the silver standard *de facto*, until on October 1, 1897, the gold standard system was legally adopted. The figures necessary to ascertain the value of Japanese currencies are given below:

(1) 1 gold *yen* (according to Coinage Law of 1871) contains 1.5 gramme pure gold.

(2) 1 gold *yen* (according to Coinage Law of 1897) contains 0.75 gramme pure gold.

(3) 1 silver *yen* contains 24.261 gramme pure silver.

(4) The value of 1 silver *yen* in the English currency (according to the demand rate of exchange on London in the average of the year) is as follows:

	s. d.		s. d.		s. d.
1874.....	4.02.0	1882.....	3.08.8	1890.....	3.04.5
1875.....	4.00.8	1883.....	3.07.9	1891.....	2.02.6
1876.....	3.11.2	1884.....	3.07.9	1892.....	2.10.5
1877.....	3.11.7	1885.....	3.06.0	1893.....	2.06.7
1878.....	3.09.4	1886.....	3.03.2	1894.....	2.01.2
1879.....	3.08.0	1887.....	3.02.0	1895.....	2.01.3
1880.....	3.08.9	1888.....	3.01.0	1896.....	2.02.0
1881.....	3.08.4	1889.....	3.01.1	1897.....	2.00.4

(5) The value of 1 *yen* of paper money in the English currency (calculated on the basis of the above mentioned exchange rate and the quotations of the silver price in the Tokyo Exchange in the average of the year) is as follows:

	s. d.		s. d.		s. d.
1877.....	3.10.1	1880.....	2.06.4	1883.....	2.10.7
1878.....	3.05.6	1881.....	2.02.1	1884.....	3.04.3
1879.....	3.00.3	1882.....	2.04.5	1885.....	3.03.7

(6) 1 *ryō* (unit of value of the old currency system) was declared in the Coinage Law of 1871 to be equal to 1 *yen*.

Chronological Table

Meiji 1st	1868 A. D.	Meiji 15th	1882 A. D.
" 2d	1869 "	" 16th	1883 "
" 3d	1870 "	" 17th	1884 "
" 4th	1871 "	" 18th	1885 "
" 5th	1872 "	" 19th	1886 "
" 6th	1873 "	" 20th	1887 "
" 7th	1874 "	" 21st	1888 "
" 8th	1875 "	" 22d	1889 "
" 9th	1876 "	" 23d	1890 "
" 10th	1877 "	" 24th	1891 "
" 11th	1878 "	" 25th	1892 "
" 12th	1879 "	" 26th	1893 "
" 13th	1880 "	" 27th	1894 "
" 14th	1881 "	" 28th	1895 "

CHRONOLOGICAL TABLE—(*Continued*)

Meiji 29th	1896 A. D.	Meiji 41st	1908 A. D.
" 30th	1897 "	" 42d	1909 "
" 31st	1898 "	" 43d	1910 "
" 32d	1899 "	" 44th	1911 "
" 33d	1900 "	" 45th / Taisho 1st	1912 "
" 34th	1901 "	" 2d	1913 "
" 35th	1902 "	" 3d	1914 "
" 36th	1903 "	" 4th	1915 "
" 37th	1904 "	" 5th	1916 "
" 38th	1905 "	" 6th	1917 "
" 39th	1906 "		
" 40th	1907 "		

WEIGHTS, MEASURES AND MONEY

With English, American, French and German Equivalents

Japan	Great Britain	U. S. of America	France	Germany
Ri = 36 *Chō* = 2,160 *Ken* = 12,960 *Shaku*. . . .	2.44030 Miles	2.44029 Miles	3.92727 Kiloms.	3.92727 Kiloms.
Ri (Marine).	1.15152 Miles	1.15151 Miles	1.85318 Kiloms.	1.85318 Kiloms.
Square *Ri*.	5.95505 Sq. Miles	5.95501 Sq. Miles	15.42347 Km. Carrés	15.42347 Quadrat Km.
Cho = 10 *Tan* = 100 *Se* = 3,000 *Bu*.	2.45064 Acres	2.45062 Acres	99.17355 Ares	99.17355 Ar.
Tsubo = 10 *Gō* = 100 *Shaku*. . . .	3.95369 Sq. Yards	3.95367 Sq. Yards	3.30579 Centiares.	3.30579 Quadratm.
Koku = 10 *To* = 100 *Shō* = 1,000 *Gō* = 10,000 *Shaku*. .	4.96005 Bushels	47.65389 Gallons (Liq.) 5.11902 Bushels (Dry)	1.80391 Hectolitres	1.80391 Hectolitres
Koku (Capacity of ship)	1/10 of one Ton	1/10 of one Ton	1/10 de Tonne	1/10 Tonne
Kwan = 1,000 *Momme* = 10,000 *Fun* = 100,000 *Rin*. . .	8.26733 lbs. (Avoir.) 10.04711 lbs. (Troy)	8.26733 lbs. (Avoir.) 10.04711 lbs. (Troy)	3.75000 Kilogs.	3.75000 Kilogs.
Kin = 160 *Momme*. . . .	1.32277 lbs. (Avoir.) 1.60754 lbs. (Troy)	1.32277 lbs. (Avoir.) 1.60754 lbs. (Troy)	0.60000 Kilogs.	0.60000 Kilogs.
Yen = 100 *Sen* = 1,000 *Rin* = 10,000 *Mō*.	2.0.582 s. d.	0.4984 Dollar	2.583 Francs	2.0924 Marks

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PART I

HISTORICAL SURVEY OF EXPENDITURES FOR WAR AND ARMAMENT

NOTE.—In the tables throughout this volume, fractions of *yen* greater than one half have been counted as a whole *yen* and the other fractions have been disregarded.

CHAPTER I

INTRODUCTION

The visit of Commodore Perry in 1853 (the sixth year of Kayei) awakened Japan from a peaceful dream of seclusion in which she had reposed for many hundreds of years. Confusion and disorder followed, the Loyalists persisting in the exclusion of foreigners, the Feudalists arguing for the opening of the country to foreign trade and intercourse. Coincident with this, the Feudal Government was thrown into terrible financial difficulties, its influence and popularity fell to the ground, and discipline grew lax. At length, on October 14, 1867 (the third year of Keio), just fifteen years after the visit of Commodore Perry, the Shogun, Keiki Tokugawa, surrendered the political power to the Emperor, and the feudal system suffered its downfall. Thus the restoration of the Imperial rule was effected.

In the following pages dealing with the statistical history and economic effects of war and armament expenditures in Japan, it is proposed that the investigations shall cover the period from the Restoration to the present day. Historians will agree that the rise of modern Japan dates from the year of the Restoration, and that prior to that her wars and armaments were so different in nature and purpose from those of today that they must properly be left to separate investigations.

Forty-six years have elapsed since the Restoration, during which time Japan has come to be recognized as a great power in the East, having risen from a position so insignificant that her very existence was doubted in the West. No one can deny that the most prominent factors in her rapid rise among the nations of the world are the wars on which she has staked national destiny and the military and naval armaments which she has constantly supported.

We have now to consider the cost of these wars and armaments. Before we enter upon the subject in detail, however, we deem it expedient to divide the whole period of forty-six years into several epochs. As the object of a chronological classification in history is to facilitate investigation, so here, in our discussion of war and armament expenditures, it seems desirable to arrange the epochs with reference to the circumstances or events by which these expenditures were distinctly augmented or diminished. Thus, the period with which we are concerned may conveniently be divided into four epochs, as follows:

First epoch—From the Restoration to the Satsuma Rebellion (1868–1877).
Second epoch—From the Satsuma Rebellion to the Sino-Japanese War (1877–1895).
Third epoch—From the Sino-Japanese War to the Russo-Japanese War (1895–1905).
Fourth epoch—From the Russo-Japanese War to the present day (1905–1914).

These are the four epochs in the history of modern Japan to be distinguished from the standpoint of war and armament. The first, covering the nine years commencing with the War of the Restoration, marks the reestablishment of law and order, the introduction of new administrative systems, and the beginnings of diligent military and naval preparations. The second, lasting seventeen years, begins with the Satsuma Rebellion, in which a formidable anti-government force was subdued and national unity was perfected, and is the epoch in which the armaments on both land and sea were gradually extended. The third, or the next ten years, opens with the Sino-Japanese War, in which long-yielding Japan fought with accumulated energy against her Asiatic neighbor and succeeded in establishing herself as a strong power in the Far East. It is the epoch in which she increased her armament more and more and busily made ready to plunge herself into the whirlpool of international competition. The fourth, occupying the next decade, begins with the Russo-Japanese War, in which she asserted her position as a World Power by fighting and defeating a great European Power, and is the epoch of aspiration for the development of her army and navy

to a footing of equality with the great nations of the world. Generally speaking, her war and armament expenditures increased steadily all through the four epochs, but in each one the increase had its particular standard or condition. These epochs naturally correspond with the divisions of time commonly adopted in any political, financial, or economic history of the Meiji Era; and this fact shows that war has an important bearing upon social events, and that it is the greatest of all phenomena in national affairs.

In the following account the four above-mentioned epochs are allotted to four chapters, each of which is divided into sections dealing respectively with war expenditures, armament expenditures, and the corresponding financial resources.

What are war expenditures and armament expenditures? We shall not undertake to define them scientifically, but we may say that the struggle of a nation by the force of arms, that is, the dynamic condition of its military power, is called war; and that the equipment of a nation with arms, that is, the static condition of its military power, is called armament. Assuming that the expenses incurred in the former are war expenditures, and that those incurred in the latter are armament expenditures, we shall accordingly distinguish the two kinds of expenditure by referring to the corresponding items in the Japanese General Budget or Settled Accounts.

According to the idea formulated in the foregoing paragraph, an internal disturbance must be regarded as a war, and such disbursements as are made in a civil war must therefore come under the head of war expenditures. As a practical question, however, it is always difficult to draw an exact line of demarcation between war expenditures and armament expenditures, or between these and other administrative expenditures. For instance, in the case of ships or horses which are purchased in time of war, but which may be used after the war, or in the case of any administrative expenditure in which war purposes and other purposes are combined, as of the expenses incurred by the financial organ in the collection of funds for the defrayment of war expenses, it is by no means easy to discrimi-

nate, as it is entirely the degree or extent to which such objects or expenses are employed either in war or in armament that determines to which class of expenditures they properly belong. Suffice it to say that we do not intend to make a hard and fast rule in the matter, but propose in our discussion to follow mainly the technical classification of accounts employed in our government finance, making such alterations or transfers as we deem necessary.

With regard to the interest payments on war loans and armament loans, we may say that they might reasonably be classed as armament expenditures, since they form a part of the ordinary expenditures appearing annually in the General Budget or Settled Accounts. We shall not, however, include the figures corresponding to these items in our present work, except on special occasions, for the reason that they occupy such a special position in our armament expenditures that their details have been left to a separate investigation.

Moreover, with regard to the financial resources for war and armament expenditures set forth in the following pages, we shall merely enumerate the corresponding items and omit detailed explanations thereof. This seems advisable because public loans and taxes, which form the main body of the resources, have their respective students elsewhere, and we wish to avoid repetition in this volume. Finally, with regard to two wars, the Sino-Japanese and the Russo-Japanese, there are already elaborate investigations by other writers, and our own discussion of them will therefore be brief.

The statistical data on which our investigations are based are taken chiefly from the Settled Accounts published by the Department of Finance and from the Imperial Statistical Annual compiled by the Bureau of Statistics, and consequently they may be said to be the nearest correct and most reliable materials obtainable. But as for our investigations regarding the facts prior to 1887, and especially prior to 1875, we regret that our figures are more or less approximate owing to the imperfect financial systems existing in hose days and the consequent scarcity of material now available.

It must be noted that the figures collected in this work represent only the expenditures for war and armament in the years concerned. As the value of money fluctuates in course of time, according to the general economic conditions, and is reflected in the rise and fall of prices, the expenditures of the state can not be properly conceived without taking this fluctuation into account It is to be hoped, therefore, that the reader will always entertain due consideration of the varying value of money in the different epochs of our history.

Finally, it remains to be said that the fiscal year of our National Treasury begins on the 1st of April and ends on the 31st of March of each year, and that our annual accounts are as a rule produced in accordance therewith. But prior to 1885 the fiscal year or period was different and was reckoned as follows:

First fiscal period—December, 1867–December, 1868.
Second " " —January, 1869–September, 1869 (9 months).
Third " " —October, 1869–September, 1870.
Fourth " " —October, 1870–September, 1871.
Fifth " " —October, 1871–December, 1872 (15 months).
Sixth " " —January, 1873–December, 1873.
Seventh " " —January, 1874–December, 1874.
Eighth " " —January, 1875–June, 1875 (6 months).

From 1875 to 1884 the fiscal period in each year began with July and ended with the following June, while the fiscal period of 1885 covered nine months, beginning with July, 1885, and ending with March, 1886.

CHAPTER II

FROM THE RESTORATION TO THE SATSUMA REBELLION

The nine years beginning with the Restoration and ending with the outbreak of the Satsuma Rebellion formed the most stirring epoch of the period with which we are concerned. Though the administrative power was restored to the Emperor, the real authority of the Imperial Government was not yet perfected. There was every necessity, internally, of resorting to arms in order to subdue the remnant of Feudalists in various parts of the country, and, externally, of guarding against any foreign interference. Fortunately, ruled by a wise sovereign, assisted by capable men well versed in the management of state affairs, Japan was able to accomplish the great work of the Restoration, reforming the national institutions and carrying out the national policy of opening the country and of making progress. This memorable task of unifying the Empire was not consummated without some bloodshed, the first of which was in the War of the Restoration, the second in the suppression of various local disturbances, the third in the Saga Insurrection, the fourth in the Formosan Expedition, and the fifth in the Korean Affair of 1875.

The War of the Restoration was inevitable in the establishment of the new régime; and as soldiers of numerous clans were mobilized, and as shifting operations were necessary in different parts of the country, the war expenses and their effects were of great importance. The local disturbances referred to were conflicts of comparatively minor importance, caused by small internal movements of opposition against the new rule. In the Formosan Expedition, as well as in the Korean Affair, military power was used overseas, but they were not great wars involving the destiny of the nation. The latter, especially, was merely a little disturbance in diplomatic relations.

Finally, the Saga Insurrection may be called only a harbinger of the Satsuma Rebellion. The war expenditures dealt with in this chapter pertain to these five wars.

The country's armament in the earliest days of the Meiji Era lacked almost everything; and the new government, which had just accomplished, almost empty-handed, the work of the Restoration, was still far from its goal. The national finances were in complete disorder, while the sources of revenue were not established. Meanwhile, as foreign war vessels were frequenting her coasts, there was urgent necessity for Japan to strengthen her national defense; and above all it was obvious that her internal peace could be secured only through the building up of an efficient military power. The heavy cares of the government at this juncture can easily be imagined, and its anxious thoughts were at first concentrated upon the creation of an army and navy patterned after the occidental system. After laborious application and after enormous expenditures of money, the authorities saw their way clear to meet the emergency. Thus, by the end of the first epoch now under review, the so-called "creation stage" in the development of our army and navy was passed; and, though very imperfect, these two organs of the state came to be recognized in Japan, adding much to the power and systematic progress of the nation.

War Expenditures

War of the Restoration

Though on October 14, 1867 (the third year of Keio), the administrative power was restored to the Emperor, the unification of national affairs was far from complete. The Imperial Government, having no soldiers of its own, had to rely upon the united efforts of the clans of Satsuma, Choshu, Tosa, and Hizen in order to acquire the sole political power. The Shogun, Keiki Tokugawa, after restoring his power to the Emperor, retired to Osaka, but the partisans of the Shogunate, living chiefly in Yedo and in Kwanto districts, planned clandestinely the revival of their former régime; and what we call

the War of the Restoration was the struggle of the Imperialists in subduing these opponents. On January 2, 1865 (the first year of Keio), a battle was fought at Fushimi and Toba, in which the soldiers of the Satsuma and Choshu clans defeated the Feudalists of the Aidzu and Kuwana clans and demonstrated the superiority of the Imperialist forces. The Shogun then returned to Yedo and lived in seclusion, but the minds of his adherents still dwelt upon the revival of the Shogunate. The Imperial Government thereupon raised the armies for the expedition to Kwanto, which proceeded toward Yedo, marching simultaneously by different routes through the districts of Tokaido, Tosando, and Hokurikudo. Destitute of war funds, the government resorted to borrowing the necessary sums from merchants and rich men, and also issued paper notes to meet the urgent requirements. On April 11 of the same year the Castle of Yedo capitulated; but this did not satisfy the hereditary vassals of the Shogun, many of whom plotted a rebellion. Keisuke Ōtori, as a revolter, fled to Shimōsa; Buyō Enomoto, after plundering eight warships of the Feudal Government, fled to Hakodate, where he shut himself up in the Castle of Goryōkaku; and the Aidzu clan, together with seventeen other clans of the Ōu districts, rebelled against the coalition government of the Satsuma and Choshu clans. The Imperial Government had to overcome all these rebels, and it was not until after many battles that the War of the Restoration was at last concluded on May 17, 1866 (the second year of Keio), with the final surrender of the Hakodate rebels. In June of the same year the grant of rewards for military services was made to 440 persons (4 battalions), and the hereditary pensions, life pensions, and temporary rewards amounted to a considerable sum.

The War of the Restoration was an internal conflict; and as the government did not have a military force of its own, it happened inevitably that the different clans quarreled with one another, dividing themselves into the eastern and western factions. In dealing with the corresponding war expenditures, therefore, we must consider the part borne by the

Shogunate party as well as that borne by the Imperial Government; and these together do not represent the total expenditures, since the different clans engaged in the struggle all paid their expenses out of their own treasuries. Consequently, the figures given below as representing the cost of this war to the government do not comprise the total disbursements; on the contrary, they would perhaps be doubled if the expenditures of the different clans concerned were taken into account. Moreover, it may be here noted that in the armament expenditures mentioned below for the first year of Meiji certain items are partially included that might properly be reckoned as war expenditures.

The total war expenditures corresponding to the War of the Restoration, as shown in the Government Statement of Accounts for the eighth fiscal period, and as produced in 1878 by consolidating the accounts of the preceding years, was 8,908,-333 *yen*. This total was obtained by computing the average market price of rice stored in government warehouses in each fiscal period and by taking into consideration the rice quotations in different localities. This was done because in those days rice was used largely as the medium of exchange in paying taxes and in borrowing war funds and supplies from the public. The figures for the separate fiscal periods are as follows:

Fiscal period	*Yen*
First	4,621,633
Second	2,625,644
Third	1,546,984
Fourth	114,072

The different items of expenditure were as follows:

EXPENDITURES FOR THE WAR OF THE RESTORATION

Items of expenditure	Fiscal period				Total
	First	Second	Third	Fourth	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
Subjugation of Kwanto districts	3,348,883	752,038	235,006	95,389	4,431,316
Chastisement of rebels at Hakodate	125,446	577,900	....	....	703,346
Expenses for those who surrendered	....	182,708	115,354	....	298,062
Emperor's sojourn at Osaka and trip to Kwanto	828,323	....	....	....	828,323
Garrisons and headquarters	12,481	....	....	....	12,481
Civil administration offices	66,000	564,987	....	....	630,987
Police office	....	....	27,979	....	27,979
Special grants bestowed on various clans	109,700	310,000	319,570	18,543	757,813
Temporary rewards	130,800	238,010	849,075	140	1,218,026
Total	4,621,633	2,625,644	1,546,984	114,072	8,908,333

Of the above items, the outlays for subjugating the Kwanto districts and for chastising the rebels at Hakodate may be reckoned as direct war expenditures, but further details of them can not now be given. The garrisons and headquarters were located in Tokyo for commanding the troops mobilized for the Kwanto Expedition and served as presiding military organs; they also performed the duty of pacifying those clansmen who surrendered. The civil administration offices and the police office were established in order to placate popular sentiment and protect life and property; the former were located in the northeastern districts, viz., in Taira (Province of Iwaki), Wakamatsu (Province of Iwashiro), and Sakata (Province of Ugo), and the latter in Shiraishi (Province of Iwashiro).

The special grants bestowed on various clans in the first fiscal period consisted of funds advanced to the Kagoshima

clan for the purchase of ammunition, and of further advances to various other clans for guarding Osaka and other cities. The special grants in the second fiscal period consisted of an advance of 200,000 *yen* to the Akita clan, which alone worked hard for the Imperial cause among other clans of the Ōu districts and was thus impoverished, and of smaller advances to a few other clans whose men served in the Imperial Army and whose territory was ravished by troops. Finally, the special grants in the third fiscal period include principally sums advanced to the Wakamatsu clan, the members of which, numbering a few thousands, obediently migrated to Hokkaido.

The last item, temporary rewards, refers to the money given, as circumstances required, to the officers and men who took part in the fighting.

Suppression of Local Disturbances

After the fall of the feudal system and the establishment of the new régime, the consequent introduction of new national institutions and usages caused a considerable agitation of public sentiment. Some opposed the new system of government, some planned to form a separate government, and others were discontented with the treatment accorded to the former clansmen. These disturbed people were led to revolt in various localities. Thus, in 1871 there was an uprising in Watarai (now Prefecture of Miye); in 1872, another in Ina (now Prefecture of Nagano); in 1873, others in Fukuoka, Hōjō (now Prefecture of Okayama), Ōita, Miye, Miyazaki, Myōtō (now Prefecture of Tokushima); and in 1874 there was a movement of opposition in Tsuruoka (now Prefecture of Yamagata). All these were small riots, but the government could not quell them save by force of arms. The expenses incurred in these wars were as follows:

Fiscal period	*Yen*
Fifth	3,638
Sixth	82,404
Seventh	43,889
Eighth	25,740
Total	155,671

Saga Insurrection

The centralization of political power in the Meiji Government was accomplished, and the work of remodeling of the national institutions began. At this time the authorities were divided into two parties, the one insisting on the necessity of first reforming the internal administration of the country, the other urging the primary importance of increasing the national strength abroad. At that time it happened that Tai-won-kun, who was acting as regent in Korea, failed to observe the rules of propriety in receiving Japan's envoy sent there for the purpose of establishing friendly relations with his country. The strong foreign policy party in Japan then clamored for the chastisement of Korea, and the State Councillor General, Takamori Saigo, leader of this party, insisted upon going in person to Korea as Japan's emissary appointed for this purpose. On the other hand, the moderate party in Japan insisted that such action was unnecessary. Neither party would yield to the other, with the result that on September 23, 1873, when the State Council decided against sending an expedition to Korea for the time being, the advocates of the measure indignantly resigned their positions in a wholesale manner. This constituted the direct cause of the Saga Insurrection and the Satsuma Rebellion, and was primarily responsible for the troubles in Korea which occurred on three subsequent occasions, as also for the Formosan Expedition. Indeed, the Korean questions were the nucleus of the events of the Meiji Era.

Shimpei Etō, who returned to Saga indignant because his plan of invading Korea had not been carried out, was excited by his adherents to revolt in February, 1874, having himself been chosen as leader of the revolters. The insurrection was quelled by the forces commanded by Major-Generals Nodzu and Yamada, with Toshimichi Okubo, State Councillor, as their head. The hostilities lasted fifty-two days and involved the use of 2,000 soldiers organized in fourteen battalions of the army, 4,500 additional men having been mobilized in different

localities. Of the navy, four warships and nine transports took part in the war. The expenses incurred were as follows:

Fiscal period	*Yen*
Seventh	955,614
Eighth	61,083
Total	1,016,697

Formosan Expedition

In October, 1871, fifty-four inhabitants of the Loochoo Islands were cast ashore in Formosa, where they were killed by the natives. Subsequently, in March, 1873, four people from the Prefecture of Oda were also injured by the natives there. The Imperial Government then considered the chastisement of Formosa and opened negotiations with China in regard to the matter; but the Chinese Government was unwilling to punish the Formosans on the ground that they were still barbarians and as such beyond the Chinese power of assimilation. Thereupon, the Japanese Government decided to send a punitive force to Formosa, considering that the public sentiment aroused over the Korean Affair and the consequent Saga Insurrection could not otherwise be satisfied. In May, 1874, an expeditionary force commanded by Yorimichi Saigo proceeded to Formosa and subdued the natives there. In September, 1874, Toshimichi Okubo went to Peking and, after negotiations, obtained an indemnity of 500,000 *yen* from the Chinese Government, and in December of the same year General Saigo returned to Japan in triumph. The number of soldiers employed in this expedition was 3,658, of whom 573 were killed and 17 wounded. Of the navy, the Adzuma and four other warships, with crews numbering in all 289, served in the war. The total expenses were as follows:

Fiscal period	*Yen*
Seventh	2,230,376
Eighth	1,387,684
Total	3,618,060

According to the books kept in those days at the Formosan Expedition Office, these expenditures were apportioned as follows:

APPORTIONMENT OF EXPENDITURES FOR THE FORMOSAN EXPEDITION

Payments	Gold and silver	Trade silver	Mexican silver
	Yen	*Pieces*	*Dollars*
At Main Office	813,177	..	123,937
At Nagasaki Branch Office	158,657	..	53,206
At Expedition Headquarters	528,801	775	16,580
At War Department	48,777	..	....
At Navy Department	78,905	..	44,324
By Minister in Charge	21,420	..	11,979
At Shanghai Consulate	....	..	5,681
For Inspection Tours in China	169	..	6,610
For Purchase of 15 Vessels (*Tokyo Maru*, etc.)	100,000	..	1,545,388
Total	1,749,906	775	1,807,705

Korean Affair of 1875

It has already been mentioned that the plan for the chastisement of Korea was not adopted by the Cabinet; and although the excitement over the question had almost subsided with the carrying out of the Formosan Expedition, an actual rupture of diplomatic relations with the Peninsular Kingdom was brought about in 1875, when the Korean garrison at Kōka Island shelled the Japanese warship Unyō, which touched there for water and fuel. The Imperial Government then sent out a punitive force to Korea, and succeeded in coming to a friendly agreement whereby the three Korean ports of Fusan, Gensan, and Jinsen were opened to foreign trade, and the definite statement was made that Korea was not a dependency of China. The expenses in this war amounted to 489,553 *yen*.

ARMAMENT EXPENDITURES

Army

The nine years beginning with 1868 and ending with the outbreak of the Satsuma Rebellion belong to the epoch in which the Japanese army was gradually and systematically

developed for the first time. In the feudal days each clan had its "samurai" or class of men who were hereditary soldiers by profession; and it is a fact, too, that even before the Restoration some attention had been given to military science and some progress had already been made in the manufacture of gunpowder, cannon and rifles. At that time, however, these were but separate works in the individual clans, and what may be called the awakening of the nation to the question of national defense commenced only after the coasts of Japan were menaced by foreign warships and the opening of the country to foreign intercourse became pressing.

In 1862 the Feudal Government planned the organization of an army patterned after the occidental system and trained 13,000 soldiers in three companies. This may be called the foundation-stone of the modern Japanese army. But the progress of this first army was checked by the War of the Restoration, in which the Imperial Government, having no soldiers of its own, made use of the soldiers of the different clans; and by this act the military systems or equipments of the Feudal Government were totally destroyed.

After the Restoration, the Imperial Government recognized the importance of maintaining its military power, though it allowed the soldiers of the feudal lords to return to their own clans, and freshly summoned "samurai" from Totsugawa, etc., and also appropriated the soldiers of the house of Tokugawa. In 1870, when Aritomo Yamagata and Yorimichi Saigo returned from their tours in Europe for the investigation of western military systems, it was decided to organize the army after the French style and the navy after the English style. The Military School was moved from Tokyo to Osaka, and young men from different clans were invited to go there to be educated as officers. In February, 1871, 10,000 soldiers from the clans of Satsuma, Choshu and Tosa were collected in Tokyo to form an Imperial Body Guard (the origin of the present Imperial Body Guard), and subsequently, the feudal soldiers having been ordered to disperse, it was planned to organize four garrisons at Tokyo, Sendai, Osaka and Kuma-

moto. For this purpose soldiers were levied from different clans on the basis of their income at the rate of five soldiers per 10,000 *koku* of rice. In February, 1872, the War Department was abolished, and the Army and Navy Departments were established instead. On January 20, 1873, the principle of a whole nation in arms was finally adopted by the passage of the conscription law; and with this the foundation of the Imperial military system was laid. The entire country was then divided into six districts of military jurisdiction, and six garrisons were formed accordingly, each composed of fourteen regiments (42 battalions) of infantry, eighteen sections of artillery, three battalions of cavalry, ten sections of engineers, one battalion of supply troops, and nine companies of coast artillery. The total peace footing was 31,680 and the total war footing 46,350. This organization was maintained, though with more or less revision, until the outbreak of the Satsuma Rebellion, and it seems that the government was able to obtain the required number of men as stated above.[1]

The Settled Accounts of the armament expenditures for the army, from the first fiscal period to 1876, read as follows:

ARMAMENT EXPENDITURES FOR THE ARMY

Fiscal period	Ordinary expenditures	Index number	Extraordinary expenditures	Index number
	Yen		*Yen*	
First	1,008,120	100	567,614	100
Second	1,347,562	133	95,904	18
Third	1,355,832	135	68,713	12
Fourth	3,195,156	317	57,811	10
Fifth	7,346,649	729	352,698	625
Sixth	8,128,141	806	369,614	650
Seventh	8,673,709	860	59,467	11
Eighth	3,642,066	362	3,620,533	6,400
1875	6,959,736	690	....	....
1876	6,904,829	685	....	....
Total	48,561,800	...	5,192,354	....

[1] Cf. Appendix, Table No. 1.

The above table shows a rapid increase of both ordinary and extraordinary expenditures. The figures for the first four fiscal periods comprise all the naval expenditures except the Warship Sundry Expenses, which it was impossible to separate for the reason that until February, 1872, the affairs of both the army and the navy were under one and the same organization, called the War Department, which in 1869 succeeded the Bureau of Military Affairs formed in the first year of Meiji (1868). The figures of the ordinary expenditures are those given in the Settled Accounts of the Department of Finance as army and navy expenditures from the first to the fourth fiscal period and as army expenditures for the fifth fiscal period and thereafter. They include the expenses of the Army and Navy Departments for the purchase of arms, the construction of castles, forts and barracks, and indeed all other outlays that may be classed as military expenses. But in those days there were no such divisions as chapters, sections, sub-sections, and items in the Annual Account; indeed, no definite form of General Budget then existed, so that temporary diversions of available funds, prolongations of particular fiscal years, etc., were of frequent occurrence. Consequently, it must be noted that the above figures show only the amounts of the actual payments made. Though the army and navy expenditures of the first and the second fiscal periods are classed as ordinary expenditures, more than half of the total must have been used directly in the War of the Restoration; and it is so stated in the remarks in the Settled Accounts, as the total amounts are disproportionately large in comparison with the average expenditures of the other departments of the government at that time. The ordinary expenditures from the first to the third fiscal period increased from 1,008,120 to 1,355,832 *yen*, and they represent principally the payments to the soldiers who fought in the War of the Restoration. The extraordinary expenditures in these three fiscal periods comprise 584,000 *yen* paid for the settlement of debts contracted for weapons purchased by the Feudal Government from various French and Dutch firms, and 143,000 *yen* paid for building barracks at

Kanakawa for the protection of foreigners and natives. The reason the expenditures more than doubled in the fourth fiscal period, as compared with the third, is that, as mentioned above, some 10,000 soldiers, i.e., a few battalions each from the clans of Satsuma, Choshu, and Tosa, were collected to form the Imperial Body Guard, and subsequently four garrisons were organized. In the fifth fiscal period there was again an increase of about two and a half times over the expenditures of the fourth, due to the fact that in February, 1872, the War Department was abolished and the Army and Navy Departments were instituted in its place; and as both military and naval affairs were enlarged, more weapons purchased, additional barracks built, and the number of soldiers increased, there was consequent increase of expenses. The whole of the extraordinary expenditures in fifth, sixth and seventh fiscal periods, and 176,567 *yen* of the same in the eighth fiscal period, totaling 958,346 *yen*, were used in the purchase of land and the construction of buildings for the Imperial Body Guard and all other garrisons and the Military Academy. The extraordinary expenditures of 3,443,966 *yen* in the eighth fiscal period were used in the manufacture of arms and ammunition at the critical juncture brought about by the disturbed relations with China in 1874 after the Formosan Expedition, and included other expenses toward the expansion of affairs in general. In the ordinary expenditures of the eighth fiscal period, and of the fiscal years 1875 and 1876, we do not see any great increases, because those amounts were just sufficient for the maintenance of the military power at the time.

In order to set forth the nature of the armament and corresponding expenditures in those days, we produce at this point some of the main disbursements in the fiscal year 1875, (July, 1875–June, 1876).

The following figures are taken from the first Annual Report of the Army Department, in which, however, a sum of 457,596 *yen* appears as an extraordinary expenditure for the purchase of land in the compounds of the Castles of Hiroshima and

Himeji, for building barracks in the Loochoo clan, for an emergency fund for the Korean troubles, and for the expenses of the expedition organized to quell the riots in the Prefecture of Wakayama. The consequence is that in the said Annual Report the grand total of the expenditures of the Army Department amounts to 7,231,711 *yen*, which, as compared with the aforementioned Settled Accounts of the Department of Finance for the same year, reveals a difference of 271,975 *yen*; but the details of this discrepancy can not now be traced.

We may conclude, therefore, that in the army expenditures now under review the expenses of the Army Department proper were the largest (approximately 22 per cent), and that the average expenditure for one garrison was 470,000 *yen*.

EXPENDITURES OF THE ARMY DEPARTMENT IN THE FISCAL YEAR 1875

Names of offices	Amount
	Yen
Army Department	1,510,711
General Staff	132,182
Imperial Body Guard	408,079
Garrisons:	
First	786,638
Second	185,089
Third	328,176
Fourth	571,947
Fifth	360,848
Sixth	445,002
Arsenal:	
Head Office	433,420
Branch Office	200,431
Engineering Corps:	
First	440,662
Second	23,303
Third	38,095
Fourth	72,198
Fifth	18,767
Sixth	27,264
Military Academy	129,797
Toyama Military School	81,541
Kyōdōdan Military School (for training non-commissioned officers)	242,839
Military Preparatory School	45,335
Main Hospital	110,882
Law Court	23,069
Horse Bureau	113,409
Sick Horse Stable	17,512
Armory	26,919
Total	6,774,115

APPORTIONMENT OF EXPENDITURES OF ARMY DEPARTMENT IN THE FISCAL YEAR 1875

Items of expenditure	Amount
	Yen
Salaries	796,819
Allowances	1,268,891
Traveling expenses	284,702
Office expenses	243,821
Barracks furniture	46,057
Ordnance	263,591
Stables	102,853
Expenses for students abroad	19,877
Conscription	50,042
Foreign employees	129,728
Medical care	64,618
Penal servitude	8,831
Prisons	9,787
Marches	30,524
Troops	2,623,721
Reserve soldiers	48,255
Ammunition	47,230
Expenses for students at home	61,446
Building and repairs	165,427
Shokonsha (shrine for those killed in war)	8,750
Sundries	499,145
Total	6,774,115

Further, in the items of expenditure enumerated, we note that the allowances (which include clothing and food) are the largest, the salaries coming next; and then follow the traveling expenses and the ordnance expenses.

Navy

Disregarding the fact that from remote times until the Middle Ages the Japanese occasionally showed their naval power in expeditions to the Chinese coasts or Korea, we may say that they almost totally neglected the question of maritime defense for a period of more than two hundred years of their modern history, in which they rigidly adhered to the principle of national seclusion. But the transitional movements of the times had never allowed the Far Eastern waters to remain permanently tranquil. Toward the end of the Tokugawa régime, the visits to this country of European and American ships had gradually increased in frequency; and with

the appearance of frigates off her coasts the old scholars in Japan began to talk of the urgency of maritime defense. When the country was visited by Commodore Perry, in 1853, there came advice from the Dutch Government relative to the creation of a navy in Japan. Thereupon the Feudal Government, planning the organization of a navy, established a naval school (1855), installed shipbuilding yards at Ishikawajima and Yokosuka (1864), and purchased and constructed several war vessels, so that just before the Restoration the government had at its disposal a fairly well organized naval force. Besides this, the clan governments of Satsuma, Choshu, Kumamoto and Saga also worked toward the development of the navy. But the great revolutionary War of the Restoration completely destroyed the Feudal Government, together with its navy, and the newly formed Imperial Government was keenly alive to the necessity of reestablishing the means of maritime defense. In 1869 the Bureau of Military Affairs was abolished and the War Department, with jurisdiction over both army and navy, was established instead. In 1870 the Naval College, the cradle of Japanese naval education, was founded in Tsukiji, and students from various clans were enrolled there for training. At this school British teachers were employed, and many students were sent forth to pursue studies in Europe and America. Thus great pains were taken in laying the foundation of the country's navy.

In 1872, with the abolition of the War Department and the creation of the separate Navy Department, a number of laws and regulations were made for the unification of naval affairs, and the official organization of the Navy Department was accomplished in October of the same year. It may be said that the plan of the Japanese navy was now for the first time settled. Consisting then of two iron-clad ships, one iron-framed wooden ship, and some small wooden ships, it numbered in all only seventeen vessels, with a total displacement of 13,812 tons. In October, 1875, the coasts of the country were divided into the eastern and the western jurisdictional districts, in which the warships were properly distributed; in

August, 1876, the naval stations were officially organized; and in September of the same year the Tōkai Naval Station was established at Yokohama. In 1873 the construction of H. M. S. Jingei (1,450 tons) and of the warship Seiki (897 tons) was commenced at the Yokohama Shipbuilding Yard, the former being completed in 1876 and the latter in 1875. Thus the infant stage or the first epoch of the Japanese navy was passed, and its strength was shown in the Satsuma Rebellion.

The Settled Accounts of these armament expenditures for the navy read as follows:[1]

ARMAMENT EXPENDITURES FOR THE NAVY

Fiscal period	Ordinary expenditures	Index number	Extraordinary expenditures	Index number
	Yen		*Yen*	
First	....	...	30,000	100
Second	....	...	147,000	490
Third	....	...	301,124	1,003
Fourth	....	...	....	....
Fifth	1,767,450	100	101,544	332
Sixth	1,188,684	68	1,629	4
Seventh	1,685,237	95	....	....
Eighth	1,033,713	56	2,488,586	745
1875	2,825,843	166	....	....
1876	3,424,998	195	....	....
Total	11,925,925	...	3,069,883	.....

The absence of figures of ordinary expenditures for the first four fiscal periods in the above table is due to the fact that, as mentioned before, the navy expenditures in those days were included in the army expenditures. As regards the extraordinary expenditures, the amount appearing in the first period represents half of the purchase price of the warship Takao bought by the Akita clan, and that in the second period represents a payment of 130,000 *yen* for a warship previously purchased by the Feudal Government, and the balance of 17,000 *yen* paid for the Takao. The extraordinary expenditures in the third period represent some 225,000 *yen* expended

[1] Cf. Appendix, Table No. 2.

for coast defense at the time of the Franco-Prussian War in July, 1870, when Japan declared neutrality and dispatched warships to guard the ports of Shinagawa, Yokohama, Hiogo, Nagasaki, and Hakodate; and also 75,629 *yen* expended for repairing and transporting the warships of various clans in order to bring these vessels under the centralized control of the War Department, as it was considered disadvantageous for the clans to have warships under their own control.

It has already been stated that in the fifth fiscal period the enlargement of the navy was planned, and ordinary expenditures exceeding 1,740,000 *yen* were consequently made in that period. The figures of extraordinary expenditures in the same period represent the amount paid for the warship Unyo purchased from the Yamaguchi clan. The increase in the seventh period was due to the general increase of expenditures for purposes other than those directly connected with war, in consequence of the Saga Insurrection and the Formosan Expedition. It is interesting to note that in the eighth fiscal period, which lasted only six months (January, 1875–June, 1875), there was a great increase in these navy expenditures; but it is attributable to the carrying out, in the preceding year, of the Formosan Expedition, which led to the necessity of purchasing more arms, ammunition and warships in anticipation of a possible conflict with China. Incidentally, this temporary increment of the navy served as a preparation for the war of the Satsuma Rebellion.

Financial Resources

In December, 1867, the "Money and Cereals Revenue Office" was established, later to be renamed the "Bureau of Financial Affairs." Though in July, 1869, the Department of Finance was at last established, the sources of revenue were insufficient, consisting only of trifling receipts from land taxes, customs duties, various business taxes, etc.; and while each clan had its own income from taxation, the newly formed Imperial Government had no distinct revenues of its own. Thus, almost the whole of the expenses incurred in the War of

the Restoration were defrayed by means of borrowed funds and issues of paper money. Indeed, there was no war fund in preparation during the period between the battles at Toba and Fushimi and the subjugation of the eastern districts, so that the supply of money and food was always obtained, as occasion required, by borrowing from the rich houses in different localities or else by commandeering. Evidences that the government borrowed considerable sums at high rates of interest are still very clear, and the amounts borrowed were as follows:

Fiscal period	*Yen*
First	4,732,482
Second	911,500
Third	4,782,400
Total	10,426,382

Besides these loans, the government issued on the 19th of the intercalary month of April,[1] 1868, the so-called Dajōkan-satsu (paper money authorized by the State Council); and at the same time it was decreed that "by the gracious intentions of the Imperial Government paper currency was ordered to be issued as an emergency measure for the relief of the universal distress among the people." While the object of issuing these notes was proclaimed to be that of supplying capital for the development of industry, it can not be denied that another very urgent object was that of meeting a large deficit in the government revenue. The amount of paper money issued was first restricted to 32,500,000 *ryo* (old *yen*), but was afterwards gradually increased as follows:

Fiscal period	*Yen*
First	24,037,390
Second	23,962,610
Third	5,354,513
Fourth	2,145,487
Total	55,500,000

The financial resources for the expenses incurred in the War of the Restoration were obtained through the two means

[1] According to the lunar calendar of the time, a double month occurred at certain fixed intervals, and this was the year in which the double month occurred.

referred to above, and also through the war contributions exacted from the various clans and their voluntary donations. In the intercalary month of April, 1868, the government decreed that the war fund was to be raised from the clans on the basis of their income at the rate of 300 *koku* per 10,000 *koku* of rice, the payments to be made annually. Later, in September, 1870, the rate was raised to 450 *koku* per 10,000 *koku*, and the total amounts received by the government were as follows:

Fiscal period	*Yen*
First	73,377
Second	79,137
Third	378,093
Fourth	1,461,064
Total	1,991,671

During the War of the Restoration, moreover, many of the Feudal Lords and Loyalists in various parts of the country voluntarily contributed cash and rice to the war fund of the government, the amount of these donations having totaled 655,406 *yen* in the first four fiscal periods.

At that time no special accounts were kept for war expenses, and it is therefore impossible to indicate definitely the corresponding financial resources. But the revenue from the four sources above mentioned was so large that only one-eighth of the total amount thus obtained was used for war expenditures. Consequently, it must be noted that the funds derived from the paper money issued and from the other sources were for the most part utilized for other purposes. The aggregate revenue for the first four fiscal periods was about 110,000,000 *yen*, of which the paper notes represented 50 per cent, the borrowed funds 10 per cent, and only the remaining 40 per cent represented the ordinary revenue from taxes, etc. It is apparent that the government did not rely solely upon this last 40 per cent for meeting its war expenditures. It may also be deduced that the revenues from the four financial resources above mentioned were largely used in the total war expenditures of 5,279,981 *yen* in the four wars following the

War of the Restoration, and also in the total armament expenditures of 68,749,962 *yen*. However, the income of the Meiji Government had been greatly augmented during and after the third fiscal period, as, for instance, by a gradual increase in the land tax; and it may be said that war expenditures then came to be gradually supplied through the ordinary sources of revenue. We may further remark here that after the year 1872 some spare notes were issued for circulation, as will be narrated in the following pages, for supplying the deficit in the government revenue; and it can scarcely be doubted that these notes, which were originally intended to replace defaced or worn-out notes in circulation, also served to satisfy the requirements for armament expenditures.

CHAPTER III

FROM THE SATSUMA REBELLION TO THE SINO-JAPANESE WAR

Ten years passed after the Restoration, and during that time order was gradually restored within the country. Meanwhile, however, a crisis was developing in the government itself. The conflict of opinions between the conservative internal policy party and the strong foreign policy party resulted in a vehement controversy over the question of an invasion of Korea, and finally led to the great Satsuma Rebellion of 1877. But this war served as a touchstone to test the ability of the new régime and was an indispensable medium for perfecting the modern institutions and unified organization of the state. Notwithstanding the great sacrifices it was called upon to make, the Imperial Government was fortunately able to give proof of its ability to maintain the unified rule over the nation, and was left virtually free to proceed on its way toward administrative reforms and general public improvements. We have said that the nine years following the Restoration belonged to the epoch in which the system of national defense was created, and we may call the next seventeen years, now under review, the epoch in which the development of the national defense was effected.

Comparative peace reigned in Japan from the Satsuma Rebellion to the year 1893, though a few soldiers were sent to Korea in 1882 and again in 1884; and during this epoch of quiet, progress was made in the development of the army and navy. At first, that is, prior to 1884 or 1885, the progress was very slow, but from then on it was gradually accelerated. In other words, in the first half of the epoch the preparation for the development of the national defense was made, and in the second half the development was actually effected. This was due to the fact that the financial and economic status of primi-

tive Japan was seriously shaken by the war of the Satsuma Rebellion, and the country was consequently compelled to pass through a sort of preparatory stage, though the completion of the national defense was very urgent.

In the present chapter we shall first consider the war expenditures connected with the Satsuma Rebellion, which was really the last great struggle for the unification of the Empire, and shall then take up the expenditures resulting from the Korean Affairs in 1882 and 1884. Regarding the latter, there may be more or less objection to our treating them as war expenditures; but as they were practically the expenses incurred in moving soldiers, and as fighting actually occurred, we may say they can not properly be excluded from the items of war expenditure.

War Expenditures

Satsuma Rebellion

Takamori Saigo, defeated in his insistent advocacy of the invasion of Korea, resigned his councillorship in the Cabinet and returned to his native place, Kagoshima, where he started a private school with funds derived from the pension bestowed on him by the government, and was soon educating thousands of students. The dissatisfaction of these students with the Imperial Government could by no means be controlled, and on January 30, 1877, they revolted against it. On February 15, with a force numbering about 25,000, they crossed over the boundary of their clan and entered Kumamoto, where they were joined by a force of Kumamoto men under Kichijuro Ikebe. Together these two forces besieged the Castle of Kumamoto. The startling report to the above effect having reached the Imperial Court, the declaration of war was promulgated on February 19, and the Imperial Army marched on to Kyoto under the command of H. I. H. Prince Taruhito. At the beginning of the rebellion the Minister of War, Aritomo Yamagata (now Field Marshal), called upon the government for a special advance of 200,000 *yen* to meet the immediate requirements. But the government was then laboring under

heavy expenses of all kinds, with inadequate financial resources for their defrayment, and could not meet the demand. Meanwhile, the field of the war operations was expanding more and more. The entire active army was mobilized, but it was not sufficient. The second reserves were then mobilized, and it even became necessary to call upon the territorial army and the police forces. At this juncture the home affairs of the government were not yet quite in order, the attitude of the public was very uncertain, and there was very little hope of raising national loans with any success—the more so because the domestic loans already raised had far exceeded the reasonable limits of the national power of redemption. Moreover, it was then not long since the issue of an Imperial Edict proposing a decrease in the people's burden of taxation, and the government had to be prepared for the alienation of public sympathy if it undertook to levy new taxes or to raise the rates of existing taxes. Thus, the public authorities had a very painful experience in finding means for defraying the expenses of the war.

About that time there was a plan under consideration by a noble, Tomomi Iwakura, Director of the Nobles Board, for utilizing the nobles' Hereditary Pension Bonds for the establishment of a large National Bank. The government then granted various privileges to facilitate the carrying out of this enterprise and promised to borrow at the low rate of 5 per cent per annum the notes issued by the bank to the amount of 15,000,000 *yen*. The notes were taken into the Department of Finance within the year at specified times, and in this way the government managed to obtain the funds it needed.

Meanwhile, the field of the war continued to expand. By the fierce battle at Tawarazaka the siege of the Castle of Kumamoto was at last raised and the rebels were compelled to flee in the direction of Miyazaki and Ōita, where another battle ensued. Here there were greater difficulties of transportation and provisionment, resulting in a further increase of expenditures. On June 1 of the same year, Yorimichi Saigo, commander of the Imperial Army, applied to the government

for an advance of 12,500,000 *yen* for the defrayal of war expenses for the four months commencing with June, and the Department of Finance complied with this application by means of the bank notes issued by the Fifteenth Bank (the bank established as explained above). But for future needs the government did not have sufficient funds. Just at that time difficulty was being encountered in circulating the bank notes, which were in the nature of inconvertible paper money. In December of the same year, therefore, the government was compelled to decide on another means of meeting the pressing need, that of issuing 27,000,000 *yen* of new paper notes out of the paper reserve kept for the replacement of worn-out paper money, giving notice that the new notes were to be gradually exchanged for coin during the next fifteen years. Fortunately, however, in the month of August the Imperial Army was able to confine the rebels in Kagoshima, and on September 24 Takamori and his followers committed suicide and the rebels were all subdued. In this connection, therefore, it must be noted that the new paper notes issued as explained above were used chiefly in the settlement of affairs in the regions where the hostilities took place and in the withdrawal of troops.

The war of the Satsuma Rebellion lasted eight months. The number of soldiers and civilians attached to the Imperial Army exceeded 52,200, of whom more than 6,200 were killed and more than 9,500 wounded. Of the navy, eleven warships (Adzuma, etc.) and three transports (Takao, etc.) took part in the action, while the sailors and civilians attached to the navy numbered about 2,280. Besides, some 600 men of the territorial army and some 11,000 members of the police force participated in the war. Thirty-eight steamships of the Mitsubishi Co. were employed in transporting the troops. The number of men who fought in the rebel army was about 40,000, of whom about 20,000 were killed.

For the adjustment of the expenses of this war, the Army Department first made out on February 20 a series of regulations for the classification of accounts for war expenses,

specifying fifteen titles or headings for the purpose; and the Navy Department followed its example. In August the Expeditionary Expenses Control Bureau was formed in the Department of Finance for consolidating the war expenses. This bureau was changed in November to an office belonging to the Dajōkan (State Council, abolished in 1885), and Shigenobu Okuma (now Count) was appointed chief of the office. Here the responsible officials in charge of other government offices were called in and the settlement of accounts for war expenses was effected. The accounts ran only to the end of October, but the payments made thereafter (such as those for withdrawing troops and temporary rewards to discharged soldiers) were included in the Settled Accounts. Let us now consider the so-called Campaign Expenditures itemized in the Settled Accounts, as set forth in the table on page 34.

The Campaign Expenditures enumerated, totaling 35,295,580 *yen*, comprise all the expenses incurred directly for campaign purposes, and represent three quarters of the total of the expenditures corresponding to the Satsuma Rebellion. The Relative Expenditures mentioned on page 35 make up the balance. The Campaign Expenditures in the army were disbursed by the Army Department, Police Bureau, Hokkaido Colonial Government, and the prefectural governments of Fukuoka, Kumamoto, Ōita, and Kagoshima. The details of the outlays made by these different offices are shown in Table No. 3 of the appendix, in which the amounts recorded for the Police Bureau and the Hokkaido Colonial Government are comparatively large, owing to their having sent to the front large contingents of the territorial army and police forces. Of the Campaign Expenditures of the army, some 8,000,000 *yen* of allowances to employees and about 7,500,000 *yen* of transportation expenses are the largest, together amounting to one-half of the total. This is due not only to the fact that the rate of wages in this war was necessarily high, but also the fact that, as the fighting took place in mountainous and rugged regions, large numbers of coolies were hired for army service (their number reaching to some 20,350,000 in all, reckoned

CAMPAIGN EXPENDITURES IN THE SATSUMA REBELLION

Army expenditures				Navy expenditures			
Items	Amount	Proportion of total army expenditures	Proportion of total campaign expenditures	Items	Amount	Proportion of total navy expenditures	Proportion of total campaign expenditures
	Yen	*Per cent*	*Per cent*		*Yen*	*Per cent*	*Per cent*
Salaries	1,708,618	4.9	4.8	Salaries	110,960	17.0	0.3
Allowances to employees	7,967,625	23.0	22.6	Allowances to employees	53,308	8.1	0.2
Traveling expenses	4,472,357	12.9	12.7	Traveling expenses	24,960	3.8	0.1
Provisions	2,653,876	7.7	7.5	Provisions	23,613	3.6	0.1
Clothing and utensils	3,272,751	9.4	9.3	Clothing and utensils	17,265	2.6	0.1
Weapons	4,361,380	12.6	12.4	Weapons	162,003	24.8	0.5
Supplies	482,959	1.4	1.4	Supplies	110,651	16.9	0.3
Communication	72,311	0.2	0.2	Communication	3,785	0.6	...
Transportation	7,522,751	21.7	21.3	Transportation	41,522	6.3	0.1
Sick and wounded	332,168	1.0	0.9	Sick and wounded	9,326	1.4	...
Construction	812,741	2.3	2.3	Construction	60,039	9.2	0.2
Prisoners	10,563	...	...	Prisoners	50	...	...
Detectives	21,501	...	...	Detectives	590	0.1	...
Sundry allowances	304,890	0.9	0.8	Sundry allowances	32,113	5.0	0.1
Losses	57,479	0.2	0.2	Losses	1,897	0.3	...
Sundries	393,909	1.1	1.1	Sundries	2,238	0.3	...
Interment	174,663	0.5	0.5	Interment	206	...	...
Funeral aid	15,930	...	...				
Stables	2,583	...	...				
Total	34,641,055	100	98.2	Total	654,526	100	1.8

according to the unit rate of payment per head). The large amount of traveling expenses is due to the extensive employment of police forces.

The Campaign Expenditures in the navy amount to less than 2 per cent of the total Campaign Expenditures, because there was no regular naval force in existence at the time. Moreover, there was no navy of the enemy to fight with, while the geographical conditions at the seat of war did not allow the use of warships.

Let us now consider the expenditures other than the Campaign Expenditures, that is, those relative to the war, as set forth in the following table.

These Relative Expenditures in the Satsuma Rebellion amount to one-seventh of the total expenditures in the war and one-sixth of the Campaign Expenditures. The recruiting expenses were those incurred in recruiting the soldiers of the second reserve, the police forces and the territorial army, numbering altogether over 32,300. The guard expenses were

RELATIVE EXPENDITURES IN THE SATSUMA REBELLION

Names of offices	Amount
	Yen
Dajōkan (State Council)	306,762
Foreign Office	29,469
Home Office	13,977
Finance Department	51,020
Army Department	116,804
Navy Department	....
Educational Department	2,250
Engineering Department	13,659
Department of Justice	23,975
Imperial Household Department	256,138
Hokkaido Colonial Government	93,865
Post Office	44,101
Police Bureau	2,030,147
Temporary Law Court in Kyushu District	15,848
Expeditionary Force (General Office)	3,100
Fukuoka Prefecture	119,624
Ōita Prefecture	202,244
Kumamoto Prefecture	950,440
Kagoshima Prefecture	1,292,503
Other prefectures outside the war districts	646,220
Total	6,272,146

APPORTIONMENT OF EXPENDITURES IN THE SATSUMA REBELLION

Items of expenditure	Amount
	Yen
Recruiting expenses	1,446,320
Guard(ing) expenses	1,678,123
Imperial sojourning expenses	256,138
Dispatching expenses	103,098
Rewards	267,861
Charitable donations	1,524,298
Criminal proceedings	181,296
Sundry expenses	815,012
Total	6,272.146

those incurred in guarding and defending different localities in the time of war, and represent 27 per cent of the total Relative Expenditures. The charitable donations were made to all people in various districts who suffered from the hardships of war, and represent 19 per cent of the Relative Expenditures. Comments on the other items seem unnecessary.[1]

Korean Affair of 1882

After the troubles with Korea in 1875, the policy of opening the country to foreign intercourse was adopted, and the political power fell more and more into the hands of men who entertained friendly feelings toward Japan. Tai-won-kun, however, became offended at the situation. In July, 1882, he incited some discontented Korean soldiers to murder a number of our officers and students in Korea and to attack our Legation, forcing our Minister, Yoshitada Hanabusa, to make his escape to Chemulpo. Upon receipt of this report, Masayoshi Matsukata, then Minister of Finance, made out a rough estimate of 2,000,000 *yen* required for the settlement of the disturbance, and it was proposed to raise this amount by temporarily borrowing from the reserve fund set apart for the redemption of paper money at the time. The government caused a demonstrative movement by placing two companies of soldiers under Major-General Takashima, and three warships (Kongo, Amagi and Nisshin) under Rear-Admiral Nirei;

[1] Cf. Appendix, Table No. 3.

and in this way it opened negotiations with Korea. The negotiations were concluded by an agreement whereby Korea was obliged to redeem 50,000 *yen* of the relief fund raised for the persons who suffered by the incident and 500,000 *yen* of the expenses for the guarding army, and thereafter to permit one battalion of the Japanese Army to be stationed in Seoul for the protection of the Japanese residents. The expenditures in connection with this affair were as follows:

EXPENDITURES FOR KOREAN AFFAIR OF 1882

Items	Settled accounts of 1882	Settled accounts of 1883	Total
	Yen	*Yen*	*Yen*
Dajōkan (State Council)	3,946	....	3,946
Foreign dispatching	1,585	....	1,585
Rewards	1,700	....	1,700
Sundries	662	....	662
Foreign Affairs Department	119,691	....	119,691
Foreign dispatching	41,685	....	41,685
Domestic dispatching	3,932	....	3,932
Temporary offices	27,623	....	27,623
Rewards	2,278	....	2,278
Reception of Korean envoy	7,576	....	7,576
Sundries	36,599	....	36,599
Home Affairs Department	1,151	....	1,151
Sundries	1,151	....	1,151
Finance Department	2,175	....	2,175
Foreign dispatching	1,285	....	1,285
Domestic dispatching	308	....	308
Sundries	582	....	582
Army Department	857,596	37,997	895,593
Domestic dispatching	28,740	....	28,740
Rewards	3,327	....	3,327
Sundries	9,697	274	9,971
Brigade expenses	139,609	....	139,609
Armament	609,730	....	609,730
Detachment sent to Korea	66,495	37,723	104,218
Navy Department	145,525	65,021	210,546
Foreign dispatching	1,906	....	1,906
Domestic dispatching	105	....	105
Rewards	8,620	....	8,620
Sundries	595	....	595
Armament	34,821	65,021	99,842
Warships	99,479	....	99,479
Imperial Household Department	4,483	....	4,483
Foreign dispatching	645	....	645
Domestic dispatching	17	....	17
Sundries	6	....	6
Banquets and presents	3,815	....	3,815
Total	1,134,569	103,018	1,237,587

The total expenditures in this disturbance were 1,237,587 *yen*, of which what may be called the actual Campaign Expenditures were 1,052,878 *yen*, viz., the aggregate amounts spent for armament, brigade expenses, and detachment sent to Korea by the Army Department, plus the amounts spent for armament and warships by the Navy Department. The balance of, say, 184,700 *yen* (15 per cent of the total) forms the Relative Expenditures occasioned by the disturbance.

Korean Affair of 1884

After the Japanese and Chinese garrisons were stationed in Seoul, following the disturbance of 1882, there took place in Korea a series of violent political quarrels between the pro-Japanese party and the pro-Chinese party. In the year 1884, when China became involved in a difficult situation with France, the Independent Party in Korea, which favored Japan, took advantage of the opportunity and on December 4 murdered a number of high Korean officials belonging to the Jidaito Party (a party advocating truckling to a stronger power), which favored China. Thereupon the Korean King addressed an autograph letter to the Japanese Minister requesting protection of the Royal Palace. The commander of the Chinese garrison in Korea, Yuan Shi-Kai, thought the moment too critical for losing standing in the Peninsular Kingdom, and on the 6th day of the same month, after conspiring with the Jidaito Party, he entered the Royal Palace with 2,000 Chinese soldiers and was there joined by a detachment of Korean soldiers. The combined forces opened fire on the Japanese soldiers who were guarding the palace, and the Japanese Minister again made his escape to Chemulpo. Japan at once proceeded to negotiate with Korea and China. The former apologized and made reparation, while the latter concluded with Japan the so-called Treaty of Tientsin, whereby it was agreed that both countries should withdraw their garrisons from Korea and that they should confer with each other in case the necessity of sending forces to Korea should again arise. The expenditures in this affair were as follows:

EXPENDITURES FOR KOREAN AFFAIR OF 1884

Items	Fiscal period of 1884	Fiscal period of 1885	Total
Foreign Affairs Department:	*Yen*	*Yen*	*Yen*
Foreign dispatching	108,400	1	108,401
Domestic dispatching	224	....	224
Temporary offices	6,503	1,700	8,203
Rewards	2,554	....	2,554
Reception of Korean envoy	585	....	585
Sundries	13,867	5,254	19,121
Total	132,133	6,955	139,088

ARMAMENT EXPENDITURES

Army

The war of the Satsuma Rebellion in 1877 supplied many instructive suggestions for the development of the Japanese Army. In this war men who entirely lacked regular military training were recruited to fill the gaps in the second reserve army, and, as the result was extremely unfavorable, the necessity of training men in accordance with the new western methods was clearly recognized. As for mountain and field guns, ten or twelve four-*kin* brass muzzle-loaders were used; but as they did not prove effective, the necessity of supplementing the artillery was likewise recognized. In the year 1878, accordingly, the management of the affairs of the army was divided into three parts, namely, the Army Department, the General Staff Office, and the Military Supervision Office. The first managed the affairs of the military administration, the second had to do with matters relating to national defense and military strategy, and the third dealt with military commands and accounts. At the same time the completion of an artillery force was planned. In 1879 the conscription law was revised so as to make the duration of service both in the active army and in the first reserve three years and in the second reserve four years. Subsequently, in 1883, the length of service in both the first and second reserves was prolonged one year in order to solve the problem of providing the required effectives

in war time. Further, in order to carry out the principle of the whole nation in arms, the obligation to military service was extended to men in all ranks of society. In 1882 an Imperial Rescript for military expansion was issued, and was subsequently followed by an Imperial Edict for the augmentation of the army and the navy. Consequently, great reforms in the army organization were introduced. The Imperial Body Guard division and six other divisions were organized, and a plan was formed, to be carried out in ten years, for making each division consist of two infantry brigades, one regiment each of artillery and cavalry, and one battalion each of engineers and supply troops, thus making the number of soldiers in one division in time of peace about 10,000. The present organization of the Japanese Army originated in this plan. In 1883 the Military Staff College was created for training staff officers. In 1884 the regimental organizations were altered to brigade organizations, and the number of men in the cavalry was also considerably increased. In 1886 the Fortress Construction Office was established for erecting fortifications in important places along the coasts, in line with the system of five naval jurisdictional districts, and the distribution of garrison artillery in different localities was effected. By 1888 the vacancies in the different classes previously planned had been filled, so that the official organization of all the divisions was promulgated. The Imperial Body Guard division and six other divisions were finally established with the infantry, cavalry, artillery, engineering corps; and the army service corps was properly arranged, in order that each division should have independent fighting powers. In addition, several companies of garrison artillery were formed, together with a battalion of railway corps; and at last the military foundation for fighting on the continent was laid. Just before the Sino-Japanese War, accordingly, the military strength was calculated at 73,000 men in time of peace and 274,000 men in time of war. Compared with the force of 45,000 men at the beginning of the second epoch under review, this represented an increase of more than 600 per cent.

As to the expenditures required for completing the army as described above, we give below the Settled Accounts for the consecutive fiscal periods:[1]

EXPENDITURES FOR COMPLETING THE ARMY, 1877–1893

Fiscal year	Ordinary expenditures	Index number	Extraordinary expenditures	Index number
	Yen		*Yen*	
1877.....	6,087,934	100	....	...
1878.....	6,828,561	113	831,630	100
1879.....	8,121,931	134	1,262,990	151
1880.....	8,763,593	144	298,110	35
1881.....	8,502,268	140	464,596	56
1882.....	8,877,913	146	722,599	87
1883.....	10,530,617	165	319,210	38
1884.....	10,992,366	166	510,162	62
1885.....	9,853,190	162	583,658	70
1886.....	11,938,322	197	18,583	2
1887.....	12,181,619	200	577,056	69
1888.....	12,192,776	200	931,978	112
1889.....	12,558,096	209	1,919,341	230
1890.....	12,885,787	203	3,005,090	368
1891.....	13,184,665	216	1,463,086	176
1892.....	13,117,691	213	2,137,016	256
1893.....	13,170,669	213	2,301,397	277
Total....	179,787,998	...	17,346,509	...

The total of the ordinary and extraordinary army expenditures for 1877–1893 was 197,134,507 *yen*. While it amounted to some 6,000,000 *yen* in 1877 and about 7,600,000 *yen* in 1878, it rose to more than 15,000,000 *yen* in 1892 and 1893, which means that both the ordinary and the extraordinary expenditures doubled in the latter years. Such an increase was inevitable, owing to the army increment plan already referred to and the expenses incident thereto.

In the ordinary expenditures there was in the year 1878 an increase of more than 600,000 *yen* for the establishment of the General Staff Office and the Military Supervision Office; in 1879, an increase of about 1,400,000 *yen* for artillery increase, etc.; and in 1880, an increase of 960,000 *yen* for the creation of auxiliary transports and increases of supply troops and the

[1] Cf. Appendix, Tables Nos. 4(a), 4(b), and 4(c).

first reserve army. In the extraordinary expenditures, about 400,000 *yen* were required in 1879 and 1880 for arms and ammunition, and some 150,000 *yen* in 1878, 1879, and 1880 for temporary rewards to men who served in the Satsuma Rebellion; and about 150,000 *yen* were also disbursed in the said three years for the construction of barracks at Kanazawa, Sendai, and Kokura. Though in the year 1881 there was a slight decrease in the ordinary expenditures, some 240,000 *yen* in the extraordinary expenditures were spent for the construction of fortresses; and in each of the ensuing five years nearly the same amount was spent for the same purpose in the ordinary expenditures. But in the four years beginning with 1882, some 700,000 *yen* in the extraordinary expenditures were spent for the arsenal, and this sum was used principally for supplementing the artillery and for making cartridges for Murata rifles and shells for mountain and field guns. With the year 1882 the era of army expansion was entered upon, and that is why in that year some increase is to be seen in the ordinary expenditures, followed by a pronounced increase in 1883. Besides, from the year 1882 a special reserve fund for supplementing armament expenditures was formed by transferring some 1,800,000 *yen* from the General Account. In 1884 an increase of about 500,000 *yen* was seen in the Army Department expenditures, owing to the increase made in the number of soldiers. The fact that very little decrease is observable in the ordinary expenditures in 1885, although the fiscal period of that year was only nine months, shows that expenditures were increasing. In the year 1886 the term of the fiscal year and the forms of the General Budget and Settled Accounts were all changed, and there was an increase of about 1,000,000 *yen* in the army expenditures as compared with 1884. In the next few years there was no significant increase in the ordinary expenditures, but the increase in the extraordinary expenditures was conspicuous. This was due to the fact that there was decided upon and commenced the disbursement of 8,265,000 *yen* for the construction of the Tokyo Bay Battery as a continuing expenditure for forty-three years from

1887, 1,603,000 *yen* for the construction of the Shimonoseki Battery as a continuing expenditure for fifteen years from 1887, 1,513,000 *yen* for the construction of the Kitan Channel Battery as a continuing expenditure for sixteen years from 1888, and 7,836,000 *yen* for arms and ammunition as a continuing expenditure for seventeen years from 1889. Thus, in the years 1889, 1890, and 1891 some 2,600,000 *yen* were disbursed for the construction of batteries in different places, and some 2,000,000 *yen* for arms (ordnance) and ammunition. In the year 1892, as the budget failed to meet the approval of the Diet and was not adopted, the government produced a supplementary budget and shortened to eighteen years the term of continuing expenditures for the construction of the Tokyo Bay Battery and arranged to disburse for this item about 400,000 *yen* in 1892 and about 300,000 *yen* in 1893. It also prolonged for four years the term of the continuing expenditures for arms and ammunition, arranging to disburse for this account 900,000 *yen* in 1892 and 600,000 *yen* in 1893. In these circumstances some 480,000 *yen* of battery construction expenses were disbursed in 1892 and some 1,380,000 *yen* in 1893; and in 1892 the amounts for making cannon and magazine-rifles and the continuing expenditures for arms and ammunition, totaling 1,320,000 *yen*, were expended; and a total of 420,000 *yen* of the same two items was also expended in 1893.

In the foregoing paragraphs we have considered the causes of the increase that took place year after year in the ordinary and extraordinary expenditures. As regards the different items of expenditure, the reader is referred to Tables No. 4(a), No. 4(b), and No. 4(c) in the appendix. The first of these tables shows the armament expenditures of the army for the period 1877–1893, in which the different items are given respectively for the ordinary and the extraordinary expenditures. The second of the three tables shows the particulars of the ordinary expenditures for the army for 1877–1885, less the expenses for Army Department proper, the territorial army, and the gendarmerie; and the third table—No. 4(c)—shows the details of expenses for military affairs in Table No. 4(a)

for 1886–1893. In the fiscal year 1886 the financial system and regulations were reorganized, so that the classification of the items of expenditure is different in that year from that in the preceding years.

Navy

The new men-of-war, Fuso (3,717 tons), and Kongo and Hiyei (2,248 tons each), ordered from abroad according to the naval expansion scheme adopted in 1875, were completed and arrived in Japan in 1878; and the gunboats Iwaki, Tateyama, Kaimon, Tenryu, and Tsukushi were subsequently either completed or in course of construction. But in view of the rapid progress that was being made both scientifically and practically in the navies of western countries at the time, Japan could not continue to take merely temporizing measures in naval affairs. In 1881, therefore, the government adopted a warship construction program (revised in January, 1882) providing for the construction, in an eight-year continuous undertaking, of six large warships, twelve each of middle-sized and small-sized warships, and twelve torpedo boats. This program called for an annual disbursement of 3,300,000 *yen*, or a total outlay of 27,000,000 *yen* in eight years. The naval strength in those days was reckoned at 30,700 tons, 22,000 horse power, and 155 guns, with crews numbering 4,500. But the warships were mostly of the old style and unfit for the requirements of the new era. In December, 1882, an Imperial Rescript for military expansion was issued, and it was determined to carry out the aforesaid naval expansion scheme. In 1886 certain alterations were introduced into the scheme, and it was decided that the funds necessary for its execution should be raised by means of naval loans. Furthermore, it was decided to construct six first-class and second-class coast defense ships, one first-class iron-clad, one coast iron-clad, four cruisers of the first, second, and third classes, six first-class and second-class dispatch boats, eight first-class and second-class gunboats, and twenty-eight torpedo boats, making a total of fifty-four vessels. Besides, it was proposed to establish naval

stations in Kure and Sasebo, and to establish marine divisions instead of barracks in places where the naval stations were located, and gradually to establish torpedo divisions in all the naval ports. According to these plans, the construction of twenty-two vessels was completed between 1883 and 1889, of which the Unebi and Takachiho, of 3,700 tons, and the Matsushima, Hashidate, and Itsukushima, of 4,200 tons, were the largest. Moreover, twenty torpedo boats and torpedo service boats were constructed.

In this manner the first naval increment in the epoch now under review was effected, and our navy was at once largely augmented and strengthened. In 1891 another plan was made for constructing five second-class cruisers, including the Yoshino (4,216 tons). In 1892 the government called upon the Diet for 2,250,000 *yen* for the establishment of an iron foundry, together with 2,750,000 *yen* for the construction of two battleships, and the Naval Minister, Sukenori Kabayama, delivered a violent speech in the Diet urging the passage of these bills. He explained the urgent necessity of establishing the iron foundry for the sake of national independence in the manufacture of ordnance and pointed out that the construction of the new vessels was inevitable; but the Diet would not consent to his overture. The bills were again presented to the Diet in its session in 1893, but the Diet insisted upon a reduction of the amount demanded. Meanwhile, the government adhered tenaciously to its opinion of the so-called 120,000 ton principle of the navy, and the two were obstinately opposed to each other. Just at this time, or on February 10 of that year, His Majesty the Emperor was graciously pleased to issue an Imperial Rescript concerning national defense, to the effect that by economizing the expenses of the Imperial household a sum of 300,000 *yen* was to be set apart annually for warship construction expenses for six years, and further to the effect that the government officials were ordered to disburse one-tenth of their salaries as a contribution toward the same expenses. The government and the Diet were now enlightened enough to come to an agreement, and they decided upon the

disbursement as seven-year continuing expenditures, commencing from 1893, of 15,420,000 *yen* for constructing two iron-clad vessels and 2,650,000 *yen* for constructing one cruiser and one dispatch boat. Thus the naval strength at the close of 1893, or just before the outbreak of the Sino-Japanese War, was calculated at thirty-four ships with a total of 63,493 tons and twenty-six torpedo boats with a total of 1,637 tons.

The expenditures involved in the naval expansion as stated above are shown in the following table.[1]

EXPENDITURES IN NAVAL EXPANSION, 1877–1893

Fiscal year	Ordinary expenditures	Index number	Extraordinary expenditures	Index number
	Yen		*Yen*	
1877.....	3,167,512	100	....	...
1878.....	2,804,021	89	16,494	100
1879.....	3,079,859	97	58,892	360
1880.....	3,165,222	100	250,650	1,562
1881.....	3,014,758	95	245,961	1,531
1882.....	3,160,492	100	249,162	1,556
1883.....	3,080,634	95	3,079,965	1,950
1884.....	3,193,300	100	3,067,565	1,917
1885.....	2,634,658	83	2,699,473	1,690
1886.....	4,370,441	138	4,538,208	2,836
1887.....	4,965,955	156	4,876,752	3,098
1888.....	5,504,589	175	4,341,003	2,710
1889.....	5,317,883	167	4,045,825	2,528
1890.....	5,848,118	184	4,372,924	2,732
1891.....	5,507,255	175	4,089,201	2,555
1892.....	5,463,645	173	3,785,920	2,366
1893.....	5,315,130	167	2,959,445	1,849
Total.....	69,593,472	...	42,677,440	.....

The naval expenditures as given above for the period 1877–1893 total 112,270,912 *yen* if the ordinary and the extraordinary expenditures are added together. The ordinary expenditures increased from 3,160,000 *yen* in 1877 and 2,800,000 *yen* in 1878 to 5,460,000 *yen* in 1892 and 5,310,000 *yen* in 1893, showing an increase of approximately 70 per cent as compared with the first-named year. The extraordinary expenditures increased from 16,000 *yen* in 1878 to 3,780,000 *yen* in 1892 and

[1] Cf. Appendix, Tables Nos. 5(a), 5(b), and 5(c).

2,950,000 *yen* in 1893, or more than two hundred times over. In 1877 there were no special outlays for naval armament, and even great economy was effected in the expenses of the Navy Department; for it was the year of the Satsuma Rebellion. In 1878 there was a decrease of some 300,000 *yen* in the naval expenditures, because the warships the construction of which was planned in 1875 were completed and the expenses for them ceased. In the same year 170,000 *yen* were disbursed from the ordinary expenditures for repairing warships used in the war of the Satsuma Rebellion. The increase of 200,000 *yen* in the ordinary expenditures of 1879 was due principally to the dispatching of the Hiyei and four other warships to India and Korea, and to the purchase of accessories for torpedo boats. In the extraordinary expenditures of the same year, 41,000 *yen* were expended for shipbuilding and 16,000 *yen* for the manufacture of gunpowder. In 1880, though there was a decrease of more than 500,000 *yen* in the Navy Department expenditures, the ordinary expenditures showed an increase of 90,000 *yen* owing to the new recruiting of sailors, to establishing the Torpedo Practice School, and to completing the equipments of men-of-war. In the extraordinary expenditures, 100,000 *yen* for shipbuilding and 140,000 *yen* for the manufacture of gunpowder were expended as continuing from the preceding year. In the years 1882 and 1883, though there was, generally speaking, no increase in current expenditures, there appeared in the latter year a new item of warship construction expenses in the extraordinary expenditures, amounting to 2,770,000 *yen*, which sum was almost equal to the yearly total of ordinary expenditures for the navy; and this large amount was disbursed as the result of the great naval expansion decided upon in 1882, as already stated. These warship construction expenses were defrayed in 1884 to the amount of 3,000,000 *yen* and in 1885 to the amount of 2,400,000 *yen*, according to the general plan of disbursing 3,300,000 *yen* per annum for such expenses. At the time of the revision of the financial system and regulations in 1886, the affairs of the navy were also expanded and the ordinary expenditures in that year showed an increase of over

1,000,000 *yen* as compared with 1884. In the extraordinary expenditures a new fund for "Special Expenses" was obtained by raising naval loans for the construction of new ships to the amount of 5,000,000 *yen*, and out of this fund 4,160,000 *yen* were disbursed. Naval loans were also raised in March, 1887, to the amount of 6,000,000 *yen*; in March, 1888, to the amount of 2,000,000 *yen*; and in April, 1889, to the amount of 4,000,000 *yen*. It was principally from these resources that the new warship construction expenses, or the so-called "Special Expenses," were defrayed to the amount of 4,670,000 *yen* in 1887, 3,290,000 *yen* in 1888, and 3,290,000 *yen* in 1890. The completion of these new men-of-war naturally resulted in the increase of ordinary expenditures, so that the Ordinary Expenses for Military Affairs showed an increase of 600,000 *yen* each in 1887 and 1888 as compared with the preceding years.

In the meantime, the construction of numerous offices and barracks was begun, and for that purpose a new item of civil engineering expenses was made in the extraordinary expenditures from the year 1889; and between 500,000 *yen* and 700,000 *yen* were expended annually from that year until 1893. In 1891 it was decided to disburse, from the annual surplus of revenue, about 5,210,000 *yen* in all for warship construction expenses as a five-year continuing expenditure until 1895, in order to supplement the naval expansion scheme of 1882. In 1892 a supplementary outlay of 2,750,000 *yen* was decided upon as the estimated cost of constructing two iron-clad cruisers, and the amount was to be included in the expenses for warship construction begun in 1892. Thus 730,000 *yen* in 1891, 2,160,000 *yen* in 1892, and 1,930,000 *yen* in 1893 were disbursed; but as in these years there were balances remaining of the "Special Expenses" that were being defrayed since 1883, according to the naval expansion scheme of 1882, viz., 2,330,000 *yen* in 1891, 840,000 *yen* in 1892, and 240,000 *yen* in 1893, the said balances were also employed for constructing new warships.

In the foregoing paragraphs we have outlined the causes of the annual increase in the naval expenditures from 1877 to the

outbreak of the Sino-Japanese War, or during the second epoch in our present researches. As regards the particulars of the items of expenditure in the consecutive years, the reader is again referred to the appendix.[1]

Financial Resources

As already stated, it is clear that the funds for the Satsuma Rebellion were chiefly obtained by borrowing from the Fifteenth Bank and by the issue of paper money, or by the use of the paper reserve set apart by the government for replacing worn-out paper money. The total amount borrowed was 15,000,000 *yen*; and the total amount of paper money issued was 27,000,000 *yen*; and the combined total of 42,000,000 *yen* was enough to meet the total war expenditures of 41,560,000 *yen*. There was also a contribution from the Prefecture of Sakai of 10,000 *yen* accumulated from the balances of the fixed salaries of the subordinate prefectural officials. Thus, the financial resources for the Satsuma Rebellion totaled 42,010,000 *yen*, and the balance of this sum remaining after the expenditures of the war were paid, viz., 440,000 *yen*, was transferred to the ordinary revenue of the government.

With reference to the expenses of the Korean Affair of 1882, it may be said that they were easily met, for the financial condition of the government at the time was sound. Although in the Settled Accounts of that year there was an excess of 6,666,544 *yen* of the year's total expenditures over the budget estimates of 73,480,666 *yen*, and the expenses in the Korean Affair took up 20 per cent of the excess, there was no need of seeking special resources to meet the expenses of the Korean Affair, because in that year the revenue of the Settled Accounts exceeded the budget estimates so much that the amount of the excess was more than sufficient to confiscate the above-mentioned excess of actual expenditures. As regards the Korean Affair in 1884, the expenses incurred were small; and owing to the fact that in that year and in 1885, as in the year 1882, the increase of revenue was more than the increase of expenditure,

[1] Cf. Appendix, Tables Nos. 5(a), 5(b), and 5(c).

the expenses were easily defrayed out of the so-called "natural increase" of revenue.

With regard to the financial resources for the total armament expenditures of 309,405,419 *yen* in this epoch, we have not much to say. Generally speaking, they formed part of the General Revenue Account; and as discussions of the details of the General Revenue Account are rather out of place in the present treatise, we will mention here only some of the sources of revenue specially connected with the armament expenditures in this epoch.

(1) *Naval Loans.*—For carrying out the naval expansion scheme adopted in 1883, naval loan bonds were issued for three years from 1886 to the total amount of 17,000,000 *yen*, to be left unredeemed for five years and to mature in thirty years. As stated previously, a total of 17,244,100 *yen* was raised in this way between July, 1886, and April, 1889, and this amount was spent chiefly in naval expansion up to the year 1890, or in the extraordinary expenditures such as warship construction expenses, civil engineering expenses, etc.

(2) *Imperial Subsidy and Public Donations for the Naval Defense Fund.*—In March, 1887, an Imperial Proclamation concerning a Naval Defense Fund was issued, and a subsidy of 100,000 *yen* was contributed by His Majesty. A great many public donations followed this Imperial example, and the amounts thus obtained were as follows:

	Yen
1887	1,647,365
1888	243,205
1889	210,844
1890	3,033
1891	20,100
1892	1,230
1893	1,099
Total	2,226,876

(3) In March, 1893, His Majesty the Emperor, anxious about the urgent question of national defense, gave special orders to economize the expenses of the Imperial household in order to make a contribution to the Naval Defense Fund, and also ordered the government officials to set apart one-tenth of

their salaries for supplementing the funds for warship construction. In 1893 the Imperial contribution was 300,000 *yen* and the officials' contributions amounted to 1,346,492 *yen*, making a total of 1,646,492 *yen*.[1]

(4) *Expenses for Manufacture of Army Rifles and Ammunition.*—After the Satsuma Rebellion the attention of the government was drawn to the improvement of arms and ordnance, and consequently a plan with that object was made for disbursing 188,300 *yen* every year for fifteen years beginning with 1878; but in the year 1886 the circumstances of the time made it necessary to move up or advance the instalments of later years. The funds for that purpose were loaned by the Bank of Japan, which made advances totaling 3,701,281 *yen* in the years 1886–1889, as follows:

	Yen
1886	176,999
1887	995,940
1888	859,691
1889	668,649

Of the above amounts, a total of 2,363,982 *yen* was converted from other loans, so that the actual amount borrowed was 1,337,298 *yen*.

To sum up, the resources for war expenditures in this epoch were supplied by loans and issues of paper money; and as regards the armament expenditures, both the ordinary and the extraordinary expenditures were in general taken from the General Revenue Account. Besides, for naval expansion naval loans were raised to the amount of 17,000,000 *yen*, together with the Imperial Subsidy and public donations to the amount of 3,000,000 *yen* and special loans to the amount of 1,330,000 *yen*.

[1] These special means for armament expenditures were continued until the year 1897. Cf. Chapter IV, Section on Financial Resources, *post*, p. 70.

CHAPTER IV

FROM THE SINO-JAPANESE WAR TO THE RUSSO-JAPANESE WAR

Our army and navy created in the first epoch and improved in the second epoch had an opportunity to exhibit their real power in the Sino-Japanese War of 1894–95. The cause of the breach lay in the fact that, while Japan was making it a constant national policy to observe the independence of Korea, actuated by the necessity of guarding her own interests, China, the oldest large country in the Far East, was regarding the Peninsular Kingdom as her own dependency. But the result of this war was a sudden recognition of Japan's intrinsic value as a strong nation in the Far East. Japan had already established her constitutional government, with various national institutions reformed and improved, but her position in relation to other countries was such that she was unable even to conclude a treaty on equal terms with them. It may be said, therefore, that by virtue of this war the international position of Japan was clearly established. Not only did it give her an excellent opportunity to extend her national glory abroad, but it also taught her two important lessons regarding her national defense, namely, that her armament on both land and sea was greatly lacking in scientific improvement; and, above all, that the perfection of war preparation was necessary, as without this even the dearly-bought effects of victory would be hard to retain, as actually happened in the retrocession of Liaotung, to the profound regret of both the government and the people. The nation keenly perceived the value of these two lessons, which steadily resulted in the formulation and execution of various plans for national defense. In the ten years with which we are concerned in this chapter, accordingly, armament projects of very broad scope were formulated, and their execution was undertaken in a high-spirited manner. As

described in the following pages, the military and the naval armaments were developed by veritable leaps and bounds toward the end of this epoch.

With reference to the North China Disturbance of 1900, it may be said that the occasion resembled a competitive military exhibition on the part of various European countries and of Japan. Although our national destiny was not at stake, that is to say, although we had no large forces specially engaged in continued actual warfare, we nevertheless learned not a few instructive lessons concerning the importance of military training for our national defense. While Japan was zealously applying herself to the question of national defense, Russia was busily engaged in ceaseless planning in Manchuria and was conspicuously showing a tendency to advance southward. Dark clouds of war hovered over Manchuria and East Asia, and at length, in 1903, it was generally thought that the breaking of the storm was inevitable.

War Expenditures

Sino-Japanese War

It is evident that at the outset of the troubles regarding Korea the Imperial Government was most concerned about the funds required for the settlement of the affair. Kunitake Watanabe, the Minister of Finance at that time, laid down the financial scheme for the purpose in three ways. In the first case, supposing that the war would end in the course of 1894, and estimating the monthly cost at 6,000,000 *yen*, or at 50,000,000 *yen* in all, the resources therefor were to be obtained by appropriating the surplus revenue of the year 1893 and the funds of various special accounts, and by raising public loans. In the second case, assuming that hostilities would continue until June, 1895, at a total cost of 100,000,000 *yen*, the funds were to be raised, over and above the sums proposed in the first scheme, by revising the taxes on *sake* and tobacco and the income tax, to yield 5,000,000 *yen*; also by appropriating 15,000,000 *yen* out of the revenue of 1895, and by raising pub-

lic and other loans to the amount of 38,000,000 *yen*. In the third case, supposing that the war would last until the end of 1895, at a cost of 150,000,000 *yen*, additional resources were to be obtained by making an increase of 7,000,000 *yen* in the land-tax revenue, and by further increasing the amounts of public and other loans.

At last the war with China opened. To meet the immediate requirements the government made a disbursement out of the General Reserve Fund; and further, with the Imperial sanction, it disbursed 25,000,000 *yen* out of the Treasury surplus. After the fifth army division started in advance, the sixth, second, first, and fourth divisions, as well as the Imperial Body Guard division, were all mobilized or ordered to the front; and as the Treasury surplus became scarce, the government decided in August, 1894, according to the above-mentioned first scheme, and in conformity with an Imperial Ordinance of Financial Emergency, to use the funds belonging to various special accounts for war expenditures, to borrow money, and to raise public loans. In the same month 5 per cent loans were raised for the first time to the amount of 30,000,000 *yen*, and the diversion of various special account funds was also carried out. In this manner the war expenses, totaling 56,000,000 *yen*, were defrayed until October 18, when a special session of the Diet was opened in Hiroshima. At this session the government submitted a budget for the total war expenses of 150,000,000 *yen*, enlarging the aforesaid second scheme, seeing that the war was to cost a great deal more than expected and that it was not to end in the year 1894. As of this total of 150,000,000 *yen*, 56,000,000 *yen* had been expended already, *ex post facto* consent was asked for in the Diet. Regarding the remaining 100,000,000 *yen*, the amount was to be raised principally by public loans and partly from the Treasury surplus. This budget was unanimously approved and passed by both Houses of the Diet. The government then planned a second issue of 5 per cent bonds, and called a meeting of the bankers of the whole country to ask their assistance in floating the war loans. On November 22, the second

war loan was issued to the amount of 30,000,000 *yen*. Meanwhile, the war steadily progressed, and Japan gained victory after victory. On August 17, in the battle near Hai-Yang Island, our main squadron won a signal victory over the main body of the enemy's fleet and obtained command of the sea. Our army, too, expelled the enemy's forces from Korea. The first army corps captured the Castles of Kiu-Lien and Feng-Huang and established a Civil Administration Office in the Province of Antung; and the second army corps landed on the Liaotung Peninsula and captured the Castle of Kinchow. On February 19, 1895, Admiral Ting-Ju-Chang committed suicide and the Chinese naval force was annihilated. The first and the second army corps combined were to subdue Liaotung, cross the Liao River, and by a single effort to press on to Tientsin and Peking.

On February 18, 1895, the Minister of Finance submitted to the Diet in its ordinary session a supplementary budget providing for a further sum of 100,000,000 *yen*, seeing that the war was likely to continue until the end of 1895. The cost was estimated at 15,000,000 *yen* a month and at a total of the said 100,000,000 *yen*, as there was then 48,000,000 *yen* yet remaining unused of the 150,000,000 *yen* already sanctioned by the Diet. After due consideration both Houses expressed unanimous approval of this second budget of 100,000,000 *yen*, and the House of Representatives especially declared that it was quite ready to approve any further funds for war expenditures, in order to attain the final object of the war.

On March 19, 1895, peace envoys of both countries met at Shimonoseki, and on March 30 a truce was concluded. A treaty of peace was finally signed on April 17, 1895, and the Sino-Japanese war came to an end. Further expenses were necessarily incurred in the withdrawal of troops from the field, and in other aftermaths of the war, and in March, 1896, public loans to the amount of 25,000,000 *yen* were raised as a part of the war expenses already approved by the Diet. These loans were met with the funds belonging to the Deposit Money in the Department of Finance. At the same time 5 per cent

public bonds were issued to the amount of 10,000,000 *yen*, and these were subscribed to by the general public.

Before proceeding to explain in further detail the war expenditures of the Sino-Japanese War, we may refer briefly to certain financial rules for the occasion, in order that the figures of the Settled Accounts may be better understood. With a view to treating the extraordinary war expenditures in the affairs connected with China and Korea quite distinct from the General Account, the government made a draft of a law providing a Special Account for Extraordinary War Expenditures. In accordance with this law, which came into operation after being approved by the Diet at its special session in October, 1894, the accounts of the revenues and expenditures for the extraordinary war expenditures were entirely separated from the ordinary administrative expenditures, and a particular fiscal year was made for the purpose, beginning with June 1, 1894, and ending with the conclusion of the hostilities. By a law promulgated in March, 1895, it was fixed that these revenues and expenditures belonging to the fiscal year allotted to the Special Account for the Extraordinary War Expenditures should be settled and concluded on March 31, 1896, and that the accounts regarding contracts for manufactures, constructions, etc., for which the payments were not yet finished by that date, should be transferred thereafter to and dealt with in the General Account. Regarding public loans, this law also provided that only those for which the subscription was opened prior to March 31 were to be included in the Special Account for the Extraordinary War Expenditures. Moreover, in order to prevent any misappropriation, the law further provided that even the war expenses previously decided upon in the budget should be carefully disbursed in such a way that the Minister of Finance on receipt of applications for disbursements from the army and the navy would have to apply to the Prime Minister for their approval by the Cabinet Council and for the final Imperial sanction.

It is now clear that the statistics of the expenditures for the Sino-Japanese War should be sought in the special account

in question and in the General Account during and after 1896. We must also calculate all the expenses specially incurred by various departments of the government in connection with the war. For this purpose Tables No. 6(a) and No. 6(b) in the appendix have been prepared to show the Expenses for Military Affairs of the Sino-Japanese War and various relative expenses occasioned thereby. The total Expenses for Military Affairs, as given in the Settled Accounts, amount to 232,609,771 *yen*, of which the particulars and percentages of the total amounts are to be found in Table A at the end of this chapter.[1]

The grand total of the Expenses for Military Affairs in the Sino-Japanese War was 232,609,773 *yen*, of which the army expenditures were about 194,000,000 *yen*, or 83 per cent. The war lasted nine months, and the number of soldiers sent overseas was 170,000; the number of cannon was 300. It is not surprising, therefore, that so large an amount was required for the army expenditures, of which the chief items were transportation (18 per cent), provisions (13 per cent), clothing (12 per cent), and employees (10 per cent).

The navy expenditures amounted to 38,705,000 *yen*, or only 17 per cent of the total expenses. Twenty-nine battleships were engaged in the war, with a total displacement of 60,600 tons, and twenty-two torpedo boats, with a total of 1,400 tons, besides a number of transports and four converted cruisers. The loss on our side was only two torpedo boats, while thirteen warships with 16,000 tons and four torpedo boats were gained as trophies. The largest amount in the navy expenditures was the warships item, amounting to 14,600,000 *yen*, or 37 per cent of the total navy expenditures; and then followed arms and ammunition (26 per cent), and warship maintenance (11 per cent); and it may be noted, as distinct from the army expenditures, that the amounts for salaries and allowances, employees, transportation, and clothing were all comparatively small. The relative expenses in the Sino-Japanese War are as follows:[2]

[1] See *post*, p. 76.

[2] Cf. Appendix, Table No. 6(b).

Department	Amount
	Yen
Department of Foreign Affairs	307,831
Department of Home Affairs	241,495
Finance Department	100,849
Department of Communications	140,949
Total	791,125

The above total represents only a small fraction of the aggregate war expenditures of 233,400,896 *yen*.

North China Disturbance [1]

After the Sino-Japanese War, Russia entered into a secret treaty with China and started upon her Manchurian program. Other Powers, too, began to lease important places in China, so that the alienation of Chinese territory became a matter of international concern. At that time the Empress-Dowager Hsi-Tai-Hou was acting as regent in China, and Twan-Chun-Wang was holding the political power. A conservative anti-foreign policy was being pursued. In 1900 the Boxer bandits rose up in Shantung on the pretext of expelling foreign residents and missionaries, and in May of the same year they marched into Chihli in formidable strength. The Chinese Court, regarding them as heroes, would not restrain them, whereupon the Boxers destroyed the Peking-Tientsin railway and threatened the foreign legations and residents in Peking. The western Powers now landed their troops in China for the relief of Peking, and desired Japan's aid; and then Japan sent an armed force for the purpose. On June 23 the allied troops captured Tientsin, and under command of the British general, Seymour, marched on Peking, the siege of which was raised on August 14 by the German marshal, Waldersee. The Powers thereupon opened negotiations with the Chinese Government, and on September 4 the affairs were concluded by China's agreeing to pay an indemnity of 450,000,000 *taels*.

On the outbreak of this disturbance, the Japanese Government issued an Imperial Ordinance of Financial Emergency, by which it was decided to make disbursements, beyond the

[1] Boxer Uprising.

budget, out of three Special Accounts, viz., the Warship and Torpedo-boat Supplementing Fund, the Catastrophe Reserve Fund, and the Educational Fund. Thus 20,000,000 *yen* was diverted from the first-named Special Account, besides 2,000,000 *yen* was taken out of the General Reserve Fund, and these urgent financial measures were approved by the Diet at its session in February of the following year. Further, on March 16, 1901, the government called upon the Diet for 23,500,000 *yen* from the Treasury surplus under control of the Department of Finance for paying the Chinese Affairs Expenses, and this as a supplementary budget to the General Account, the resources for which were sought in a temporary loan of 17,000,000 *yen* and in monopoly profits and tax increases of 6,000,000 *yen*. Actually, however, the revenue from the increased taxes did not come up to the amount anticipated, and the loan from the Bank of Japan amounted to 15,500,000 *yen*. In 1902 and 1903 a budget for 2,500,000 *yen* each was allotted in these respective years to Chinese Affairs Expenses. In 1902 the loans made from the Bank of Japan and the Warship and Torpedo-boat Supplementing Fund were redeemed by means of the indemnity of 33,301,800 *yen* received from China.

No special account was made out for the expenses of the North China Disturbance, so that the corresponding statistics can be sought only in the General Account. Thus, Table No. 7 has been compiled from the data taken from the General Account to show the Expenses for Military Affairs of the North China Disturbance and various Relative Expenses occasioned thereby. According to this table, the disbursements in 1900 and 1901 were 30,861,507 *yen* for Expenses for Military Affairs and 4,782,294 *yen* for Relative Expenses. While these appear to be the only disbursements anent this disturbance, an annual sum varying from 640,000 to 2,520,000 *yen* was spent thereafter until 1908 as expenses for troops stationed in China. These annual sums must also be reckoned in the war expenditures of the North China Disturbance, as in the Settled Accounts they stand as Chinese Affairs Expenses.

The Expenses for Military Affairs in the North China Disturbance are shown in Table B at the end of this chapter.[1]

The total Expenses for the Military Affairs of the North China Disturbance were approximately 38,165,000 *yen*, of which the army expenditures were approximately 31,550,000 *yen*, or 83 per cent. The war lasted two months. The number of soldiers who took part in it was 13,000, viz., thirteen battalions of infantry, three squadrons of cavalry, ten batteries of artillery, and one battalion of sappers. The number of cannon used was fifty-eight. The chief items in the army expenditures were weapons (16 per cent) and transportation (12 per cent). The navy expenditures were 6,600,000 *yen*, or 13 per cent of the total Expenses for Military Affairs. The naval forces actually engaged in the war were chiefly the naval brigade; and the men-of-war that served were the Kasagi and seven others, with a total displacement of 24,800 tons. The principal item in the navy expenditures was, of course, the warship maintenance (56 per cent), with salaries and allowances (12 per cent) following next. The expenses incurred in the departments other than those of the army and the navy in connection with the disturbance totaled 5,437,122 *yen*, the details of which are as follows:[2]

Department	Amount
	Yen
Department of Foreign Affairs	1,120,256
Department of Home Affairs	15,167
Finance Department	3,999,942
Department of Communications	301,757
Total	5,437,122

This total of Relative Expenses of 5,437,122 *yen* comes to 12½ per cent of the total war expenditures of 43,602,243 *yen* obtained by adding the former to the above-mentioned total Expenses for Military Affairs. This is not a small percentage, and the disbursements of the Department of Finance were great, especially because the compensations given in this war were mostly defrayed from the item of temporary rewards.

[1] See *post*, p. 78.

[2] Cf. Appendix, Table No. 7.

Armament Expenditures

Army

After the Sino-Japanese War the government aimed to increase the size and strength of the army. First of all, in 1895, the conscription law was revised; the period of service was made to extend over 12 years and four months, instead of twelve years only; the reservist system was changed to conscript reserve service; and the militia service was divided into the first and the second terms. In 1896 it was decided to raise the organization of colonial troops to that of a division; to make five more army divisions in the country, in order to have thirteen divisions in all; to organize a composite brigade in Formosa; to construct batteries at Naruto, Kure, Gei-Yo Channel, and Sasebo; and, by extending the arsenal, to plan the replenishment and independence of arms and ordnance. This was the so-called ten-year plan of the army, which was to be completed before the year 1905. The plan was largely carried into effect, and at the end of 1903, or just before the outbreak of the Russo-Japanese War, we had thirteen divisions of infantry, and two brigades each of cavalry and artillery, viz., one hundred fifty-six battalions of infantry, fifty-four cavalry squadrons, six field artillery batteries, and thirty-eight companies of sappers. Besides, other forces were formed, such as the garrison artillery at Tsushima, the independent garrison at Formosa, the gendarmerie, etc. The peace footing then was calculated at 170,000 men, and the war footing at 600,000 men. To sum up, the development of the army in this epoch was due to the carrying out of the so-called ten-year plan described above, and the result was that the military strength was trebled.

Before going on to explain the annual disbursements concerned, we may here describe the financial side of the army expansion scheme made after the termination of the Sino-Japanese War. In December, 1895, when the war ended, the government submitted an expansion bill to the Diet, where, though heated discussions arose, the budgets for 1896 and

thereafter were passed, as the nation was at one in regard to the necessity of increasing its military power. The first post-bellum army expansion budget was as follows:

FIRST ARMY EXPANSION BUDGET AFTER SINO-JAPANESE WAR

Item	Amount	Remarks
Battery Construction:	*Yen*	
Naruto Channel battery	686,981	Six years' continuing expenditures (1896–1901)
Kure battery	1,237,471	" " " " "
Gei-Yo Channel battery	2,009,033	" " " " "
Sasebo battery	880,319	" " " " "
Arms and ammunition	9,258,089	" " " " "
Repairing and furnishing of arms and implements for campaign use	17,334,891	Four years' continuing expenditures (1896–1899) This is the first recorded instance of a requisition of this nature.
Manufacture of arms	8,486,767	
Enlargement of factories and arsenals	2,949,108	Two years' continuing expenditures (1896–1897)
Expenses of lumber for temporary buildings	479,575	To be defrayed in four years but not as continuing expenditures.
Total	43,322,234	

Subsequently in 1897, the second post-bellum army expansion budget was decided upon as follows:

SECOND ARMY EXPANSION BUDGET AFTER SINO-JAPANESE WAR

Item	Amount	Remarks
Battery Construction:	*Yen*	
Tsushima battery	164,572	Four years' continuing expenditures (1897–1900)
Nagasaki battery	271,366	Five " " " (1897–1901)
Maizuru battery	596,444	" " " " "
Hakodate battery	532,017	" " " " "
Arms and ammunition	4,896,121	" " " " "
Repairing and furnishing of arms and implements for campaign use	19,363,747	Seven " " " (1897–1903)
Manufacture of arms	9,854,539	Six " " " (1897–1902)
Deficit in funds for use in factories	2,679,790	
Total	38,358,596	

Besides the two army expansion programs, the continuing expenditures of 9,829,134 *yen* for the construction of batteries, and of 8,220,583 *yen* for repairing and furnishing arms for campaign use, making a total of 18,049,717 *yen*, were introduced in the budget of 1899 for the completion of the seventh division and the construction of batteries at Tsushima, Keelung, and Pescadores. The seventh division, it may be remembered, was a reorganization of the Hokkaido territorial army.

In the budget of 1900 the above-named new continuing expenditures were inserted, and, moreover, owing to the rising market, increases of 5,208,477 *yen* and 3,541 *yen* were made, respectively, in the two items of repairing and furnishing arms and implements for campaign use and the expenses of lumber for temporary buildings; and owing to circumstances in construction, a decrease of 351,351 *yen* was effected in the Gei-Yo Channel battery construction expenses, besides certain alterations in the yearly allotment of the other continuing expenditures. We may say, in summary, that the post-bellum military expansion, with its first and second programs, was commenced in 1896 and completed in 1903, with an aggregate expenditure of 106,487,336 *yen*. It was natural that with this expansion scheme there were increases in the ordinary expenditures; and though the increase in 1896 was only 2,600,000 *yen*, the increases thereafter ranged from 14,000,000 to 25,000,000 *yen*.

As already stated, these expenses for military expansion were defrayed generally in conformity with the original programs, side by side with the gradual completion of the expansion, up to the year 1903. The Settled Accounts of both the ordinary and the extraordinary expenditures read as follows:[1]

EXPENSES FOR MILITARY EXPANSION, 1893–1903

Fiscal year	Ordinary expenditures	Index number	Extraordinary expenditures	Index number
	Yen		*Yen*	
1893	13,170,669	100	2,301,397	100
1894	8,593,474	67	2,580,871	113
1895	9,221,979	69	1,605,724	69
1896	25,022,276	192	10,213,655	440
1897	31,179,879	242	25,486,162	1,100
1898	34,877,127	266	18,309,620	790
1899	37,979,171	290	16,951,752	742
1900	38,692,333	303	21,929,421	950
1901	40,257,659	308	13,477,237	586
1902	42,268,800	321	8,206,454	349
1903	42,732,070	328	6,382,093	262
Total	310,824,768	281	125,142,989	652

[1] Cf. Appendix, Table No. 8.

The ordinary and extraordinary expenditures in the years 1894–1903 thus aggregated the enormous total of 435,967,757 *yen*. The ordinary expenditures in the years 1894 and 1895 were only between 8,000,000 and 9,000,000 *yen*, as in these years many of the accounts were treated as war expenditures; but in 1896 there was a sudden increase to 25,000,000 *yen*, followed in 1897 by a further increase to more than 30,000,000 *yen*. The upward trend continued until 1902 and 1903, when an amount about five times as large as that of the years 1894 and 1895 was reached. As for the extraordinary expenditures, their amount was the greatest in the year 1897, when they reached 25,000,000 *yen*; but they gradually decreased, until in 1902 they amounted to 8,000,000 *yen* and in 1903 to only 5,000,000 *yen*. The average increase in the armament expenditures in this epoch ending with 1903, or the year preceding the Russo-Japanese War, was 280 per cent in the ordinary and 650 per cent in the extraordinary (excepting from the average the two war years 1894–1895).

In the war years of 1894 and 1895 there were no new disbursements for armament purposes either in the ordinary or the extraordinary expenditures. It was natural that the former did not specially increase, as most of the expenses for expeditionary forces were included in the war expenditures. As for the year 1896, the new army expansion program necessitated increases in various items of expenditure, the most considerable of which were 12,000,000 *yen* in the expenses for military affairs, 1,500,000 *yen* in the gendarmerie, and 1,500,000 *yen* in the decorations and annuities, pensions, compassionate allowances, and gratuities (temporary rewards). The ordinary expenditures in 1896 totaled some 25,000,000 *yen*, as compared with some 9,000,000 *yen* in the preceding year, that is, an increase of some 270 per cent. Regarding the extraordinary expenditures, the battery construction expenses (including the manufacture of arms and ammunition mentioned in the aforesaid budget estimates, which must be remembered hereafter, as it was so adjusted in our Settled Accounts) commenced gradually to increase; and as there was also an increase

of 5,000,000 *yen* for the new item of repairing and furnishing of arms and implements for campaign use, and an increase of 1,200,000 *yen* in the manufacture of arms, the extraordinary expenditures in 1896 amounted to an unprecedented total of 10,213,655 *yen*.

In 1897 we note still further increases in all the items, of which the chief were 5,000,000 *yen* in the expenses for military affairs, 1,800,000 *yen* in battery construction, 7,000,000 *yen* in the repairing and furnishing of arms and implements for campaign use, 2,000,000 *yen* in the enlargement of arsenals, and 1,000,000 *yen* in the Temporary Army Transportation and Communication Office, resulting in an increase of 6,000,000 *yen* in the ordinary and 15,000,000 *yen* in the extraordinary expenditures. In each of the years 1898 and 1899 we note an increase of 3,000,000 *yen* in the ordinary expenditures, as compared with the preceding years, owing principally to the increased expenses for military affairs consequent upon the increased cost of maintaining forces in the new divisions and batteries. On the other hand, there were decreases of from 7,000,000 to 9,000,000 *yen* in the extraordinary expenditures, owing chiefly to the decreases in the repairing and furnishing of arms and implements for campaign use, which in turn meant that the barracks and barracks outfits were being brought near to completion.

Thereafter, until the year 1903, the ordinary expenditures increased about 1,000,000 *yen* yearly, whereas the extraordinary expenditures gradually decreased, except that in the year 1900 new expenses were added for completing the seventh division and constructing batteries at Tsushima, Keelung, and Pescadores.

In short, the extraordinary armament expenditures of the army in this epoch amounted to a large total, and the consequent increase in the ordinary expenditures was significant. This was especially the case during and after 1896, the increase ranging from 50,000,000 to 60,000,000 *yen* in the six years beginning with 1897. For the details of the expenses for military affairs, the reader is referred to Table No. 8 in the appendix.

Navy

In the Sino-Japanese War, the Japanese Navy acquired seventeen Chinese ships and bought one warship. The warship construction scheme made out in 1892 was brought to completion in the year 1896, with the result that the naval force was increased by two battleships (Fuji and Yashima, of 12,400 tons each), one cruiser and one dispatch boat. Yet the post-bellum national defense measure called for a still greater enlargement of the navy. Therefore, in 1896 a further scheme was made for constructing four battleships of 15,000 tons each, six first-class cruisers of 9,700 tons each, ten ships, including second-class cruisers and other ships, twenty-three torpedo-boat destroyers, sixty-three torpedo boats, and five hundred eighty-four ships for various uses; and they were all completed before the outbreak of the Russo-Japanese War. At the same time, the regulations of the General Staff of the navy were revised in order to raise it to equal rank with the General Staff of the army, a naval station was established at Maizuru, the secondary naval station at Takeshiki and the torpedo division at Ōminato were extended; and, moreover, by enlarging arsenals and other works, independence in shipbuilding and in the manufacture of arms and ammunition was aimed at. This was the first naval expansion program made after the Sino-Japanese War, and on the whole it was accomplished by 1902 or 1903. In 1903 a second expansion scheme was formed for constructing eight men-of-war and for making accompanying accommodations on land; but this second expansion was not completed before the Russo-Japanese War, as it was a ten-year undertaking.

The naval expansion in this epoch was as described above, and at the outbreak of the Russo-Japanese War the strength of the navy was represented by six first-class battleships, one second-class battleship, eight first-class cruisers, ten second-class cruisers, seven third-class cruisers, ten gunboats, four dispatch boats, ten third-class coast-defense ships, and one torpedo-boat depot ship, making fifty-seven vessels with a

total of 265,000 tons. Besides, there were seventeen torpedo-boat destroyers with 6,100 tons and eighty-four torpedo boats with 7,400 tons, making a grand total of 278,900 tons. This was an increase of four times in the naval strength, as compared with the beginning of the epoch now under review.

Before explaining the annual expenditures in connection with this expansion, let us say a few words regarding the financial side in the first and the second expansion programs. The budget for the first program came into existence in 1896, and in 1897 the amount of the annual allotment was increased and the number of years to be continued was prolonged. Finally, in 1899, it was revised again, and this finally revised amount was as follows:

NAVAL EXPANSION EXPENSES REVISED, 1899

Item	Amount	Remarks
	Yen	
Naval ordnance	63,355,072	Ten years' continuing expenditures (1896–1905)
Construction	20,125,990	" " " " "
Total	83,481,062	

The carrying out of this expansion plan rendered increases in the ordinary expenditures inevitable; and though the increase was only 770,000 *yen* in 1896, the annual increase thereafter was expected to become 10,000,000 *yen*.

As for the second naval expansion program, the following was the amount first decided upon, though it afterwards underwent considerable alteration as a result of the Russo-Japanese War:

WARSHIP CONSTRUCTION AND OTHER CONSTRUCTION EXPENSES, 1903

Item	Amount	Remarks
	Yen	
Naval construction	62,348,269	Eleven years' continuing expenditures (1903–13)
Naval ordnance	29,001,313	" " " " "
Construction	8,510,723	" " " " "
Total	99,860,305	

The Settled Accounts of the armament expenditures of the navy in this epoch read as follows: [1]

ARMAMENT EXPENDITURES OF THE NAVY, 1893–1903

Fiscal year	Ordinary expenditures	Index number	Extraordinary expenditures	Index number
	Yen		*Yen*	
1893	5,315,130	100	2,959,445	100
1894	4,767,806	89	5,679,550	192
1895	5,091,454	96	8,607,025	281
1896	7,632,529	143	11,204,668	378
1897	9,855,473	187	40,242 383	1,360
1898	11,523,448	191	47,023,682	1,490
1899	14,968,528	282	46,961,910	1,480
1900	17,334,477	327	35,520,462	1,190
1901	19,935,471	376	23,521,429	795
1902	21,571,093	405	15,259,424	514
1903	22,094,699	451	14,566,631	458
Total	134,774,978	299	248,587,164	959

The total naval expenditures for the ten years 1894–1903 were 383,362,142 *yen*, of which the ordinary expenditures show sudden increases from some 5,000,000 *yen* in 1894 and 1895 to 7,600,000 *yen* in 1896 and to 9,800,000 *yen* in 1897. A further annual increase of 3,000,000 *yen* appears thereafter, until in the year 1903 the ordinary expenditures reached a total of 22,000,000 *yen*, or four times that of 1893. As regards the extraordinary expenditures, they made a great bound in 1896 and 1897 and reached the enormous amount of 47,000,000 *yen* in 1898, or fifteen times that of 1893. But afterwards they decreased gradually to 14,000,000 *yen* in 1903. The average increase in this epoch, excepting the war years 1894–1895, or in the eight years 1896–1903, was about three times in the ordinary expenditures and about nine and one-half times in the extraordinary expenditures.

It was for obvious reasons that the ordinary expenditures did not specially increase in the war years 1894–1895, but in the extraordinary expenditures the notable amounts of 4,900,000 *yen* in 1894 and 7,600,000 *yen* in 1895 were disbursed as continuing expenditures planned in 1892 to run until 1896 for

[1] Cf. Appendix, Table No. 9.

constructing two battleships and two other ships. In 1896 a sum of 6,000,000 *yen* was allotted for the same continuing expenditures, and 4,000,000 *yen* crept in as the first instalment of the first naval expansion budget. On the other hand, the ordinary expenditures increased to 7,600,000 *yen*, an increase of 2,600,000 *yen* over those of 1895, owing to the general expansion of naval affairs, though the increase in the expenses for military affairs directly affected by naval expansion was less than 1,000,000 *yen*. In 1897 there was an increase of 2,000,000 *yen* in the expenses for military affairs, and in the extraordinary expenditures there were disbursements of 5,800,000 *yen* as continuing expenditures from 1893 and 32,000,000 *yen* belonging to the first naval expansion budget. As for 1898 and 1899, the disbursements as continuing expenditures running from 1893 became trifling, but the expansion expenses increased to no less than 45,000,000 *yen*; and consequently the extraordinary expenditures reached 46,000,000 or 47,000,000 *yen*, while the ordinary expenditures showed an increase of 1,800,000 *yen* in 1898 over that of 1897 and a further increase of 3,400,000 *yen* in 1899 over that of the preceding year. These increases in the ordinary expenditures were attributable principally to the general expansion of naval armament in connection with the completion of new warships, torpedo divisions, naval stations, and secondary naval stations. For the same reasons the ordinary expenditures continued to increase until the year 1903, but the extraordinary expenditures decreased a great deal in 1900, 1901, and 1902. This was due to the gradual decrease of payments, as the first naval expansion plan was nearing completion. In 1900 a disbursement of 1,100,000 *yen* for the extension of the naval arsenal at Kure was decided upon; and after disbursing 700,000 *yen* in 1900 and 1901, the extension plan was enlarged in 1902, and it was decided to spend 7,450,000 *yen* thereafter until 1905. Thus 1,300,000 *yen* in 1902 and 1,900,000 *yen* in 1903 were disbursed for the purpose. In 1903 the second naval expansion program began to be carried out, and 2,600,000 *yen* came on the budget as the first year's portion of the warship construc-

tion expenses. For the details of the expenses for military affairs, the most important item in the ordinary expenditures, and for the details of both the ordinary and the extraordinary expenditures in this epoch, the reader is referred to Table No. 9 in the appendix.

Financial Resources

As a Special Account of Extraordinary War Expenditures was made for the expenses of the Sino-Japanese War, the financial resources therefor also received special treatment. As has been explained previously, the government adopted an emergency measure for the Sino-Japanese War of drawing upon the General Reserve Fund and the Treasury surplus, and also decided upon the flotation of the first war loan amounting to 50,000,000 *yen*. In the extraordinary session of the Diet in October, 1894, the raising of the second and third war loans to the amount of 100,000,000 *yen* was decided upon, and in February, 1895, it was determined to issue another 100,000,000 *yen* as the fourth war loan. Thus the government was also to raise loans to the limit of 250,000,000 *yen*; but the war loan bonds actually issued amounted to only 125,000,000 *yen*, of which 35,000,000 *yen* belonged to the special issue. When, after the year 1896, it became necessary to issue loans to the amount of 80,000,000 *yen* to meet the war expenditures, the Chinese indemnity was made to serve these requirements and the budget estimate of thus utilizing the indemnity to the amount of 79,000,000 *yen* was made in February, 1896. The Settled Accounts of the revenues for the Special Account of Extraordinary War Expenditures for the Sino-Japanese War are shown in the table on page 71.

If we compare the above revenues with the expenditures in the Special Account, we find that there was a surplus of 24,754,624 *yen*, which was brought forward into the General Account in the year 1896 as Extraordinary War Expenditure Fund. Besides, there was a balance of 5,906,669 *yen* of the proceeds from the war loans belonging to the Special Account. Considering now that the Settled Accounts of the funds paid as

extraordinary war expenditures out of the General Account were 32,134,262 *yen*, we see after all that the deficit in the financial resources for this war was only 5,500,000 *yen*, and this deficit was covered by the ordinary revenues. As regards the Relative Expenses in the Sino-Japanese War (Extraordinary Affairs Expenses defrayed by various government departments), they amounted to 791,000 *yen* and were of course defrayed from the General Account.

FINANCIAL RESOURCES FOR THE SINO-JAPANESE WAR

Sources of revenue	Amount
	Yen
Public loans	116,804,926
Treasury surplus	23,439,086
Public contributions:	
to war funds	160,800
to Soldiers' Relief Fund	2,210,650
to Sailors' Relief Fund	578,090
Sundry incomes	1,519,305
Incomes from occupied territories	624,425
Incomes from Formosa and Pescadores	935,679
Fund transferred from Chinese indemnity	78,957,165
Total	225,230,126

The financial resources for the Sino-Japanese War were as stated above, but besides we must make mention of the temporary measures taken for securing them. We mean, first, the funds borrowed from the Bank of Japan by virtue of Law No. 25 of 1894 and Law No. 8 of 1895, authorizing the government to borrow from the bank in case the revenues for the Special Account of Extraordinary War Expenditures actually fell short of the amounts required. The borrowed fund according to the former law was 20,500,000 *yen*, and that according to the latter law was 20,260,000 *yen*, totaling 40,760,000 *yen*. Secondly, there were the funds borrowed from the Bank of Japan as a temporary means before transferring the aforesaid 79,000,000 *yen* from the Special Account of the Chinese Indemnity to the Special Account of Extraordinary War Expenditures. Concisely speaking, 70,824,703 *yen* in all was borrowed on eight occasions during the period between

May 20, 1896, and April 29, 1897, because the accommodated treasury funds for the Special Account of Extraordinary War Expenditures and the funds borrowed from the Bank of Japan by virtue of the above-mentioned law were to be reimbursed as soon as possible; and, besides, there was the convenience of closing up the Special Account of Extraordinary War Expenditures by opening the Indemnity Account with the Bank of Japan pending the withdrawal of the indemnity money from London, which required a certain interval of time.

The financial resources for the North China Disturbance were not obtained by raising public loans, but by using first of all 2,000,000 *yen* of the General Reserve Fund by diverting 20,000,000 *yen* from various special accounts in 1900, by borrowing 15,500,000 *yen* from the Bank of Japan in 1901, and by obtaining 107,000 *yen* from public contributions to the war fund between 1900 and 1902. But in order to equip the General Reserve Fund for the purpose, the taxes on *sake* and sugar and the custom duties were increased, and the annual income of 14,167,000 *yen* obtained by these increases in taxation may be called the direct financial resources for the expenditures of the North China Disturbance.

As for the great armament expansion after the Sino-Japanese War, the government made it a principle to cause all the ordinary expenditures therefor to be paid from the ordinary sources of revenue, and in like manner the extraordinary expenditures from the extraordinary sources of revenue. The government then effected an extensive reform in the taxation system, in order to make the ordinary revenues keep pace with the increases in the ordinary expenditures. Since the increased revenues from taxation were used for the general expansion of national affairs, however, it is difficult to fix definitely what part of them was disbursed as armament expenditures. This increased taxation meant 26,000,000 *yen* (exclusive of the taxes that were abolished at the same time) of the annual revenue in 1896 derived from the newly established registration tax and business tax, the opening of the tobacco monopoly, and the increased tax on *sake*; and the annual

revenue of 42,000,000 *yen* in 1899 derived from the increases in land tax, income tax, *sake* tax, tonnage dues, registration tax, tobacco monopoly profits, tax on convertible bank-notes, soy tax, license fees on the tobacco trade, and posts and telegraphs receipts. As regards the extraordinary expenditures, they depended solely on the extraordinary revenues, viz.:

Sources	Amount
	Yen
(1) Imperial donation	1,200,000
Contributions by civil officials and military officers as one-tenth of their salaries (used as a supplementary fund for warship construction from 1894 to 1898)	4,961,305
(2) Chinese indemnity:	
Disbursed as army expansion fund from 1896 to 1903	56,798,638
Disbursed as navy expansion fund from 1896 to 1905	139,259,387
(The disbursements during and after 1904 were 601,733 *yen* and those up to 1903 were 138,657,654 *yen*)	
(3) Public loans (forming part of the loans raised for post-bellum enterprises):	
Disbursed as army expansion fund from 1897 to 1905	18,169,755
(The disbursements during and after 1904 were 21,355 *yen*, and those up to 1903 were 18,148,320 *yen*)	
Disbursed as navy expansion fund from 1897 to 1905	58,998,947
(The disbursements during and after 1904 were 682,834 *yen*, and those up to 1903 were 58,316,113 *yen*)	

The total of the above three items is 278,082,030 *yen*, of which the revenues of the first item were used for warship construction as continuing expenditures from the year 1892, and those of the latter two items in the expenditures in the first and the second army expansions and in the first navy expansion. The said total represents 75 per cent of the total 373,730,153 *yen* of the extraordinary armament expenditures of the army and the navy in this epoch, the remaining 25 per cent having been taken from the General Revenue Account. The financial resources for the second naval expansion in 1903 were obtained through administrative adjustments and the postponement of work on various undertakings.

Organization Expenses of the Iron Foundry

In 1892, Viscount Kabayama, Minister of the Navy, asked the Diet for 2,500,000 *yen* for the establishment of an iron

foundry, earnestly explaining its importance from the standpoint of national independence in the manufacture of armament; but as the Diet did not agree to his proposal, the starting of the enterprise was deferred for the time being. After the Sino-Japanese War, however, it was decided, for the same reasons, to establish an iron foundry at a continuing expenditure of 4,095,793 *yen* in all from 1896 to 1899, the financial resources for which were sought in the loans for public enterprises to the amount of 3,500,000 *yen* and in the Chinese indemnity for the balance. In 1898, after the work of establishing this iron foundry was begun, an additional expenditure of 6,474,056 *yen* was voted in 1898, and in 1899 the work had progressed so far as to enable the foundry to make some trial manufactures. Then there arose the necessity of setting apart a working capital for carrying on the manufacturing works, and at the same time it came to be realized that the foundry itself must own mines producing iron, coal, and other necessary materials. Thereupon, a further sum was voted to the total amount of 3,632,845 *yen* to be disbursed until 1901. These two increases in the foundry's expenditures were all to be met with the proceeds of the loans for public enterprises. While these extensions were being gradually completed, the market prices of all materials steadily increased; and, moreover, as the hostilities with Russia broke out, the existing scale of expenditure of the foundry became inadequate. To meet the enhanced requirements of the situation, the government effected a makeshift by applying some 3,000,000 *yen* over and above the budget to reinforcing the foundry's expenditures, and made a plan of establishing a productive capacity of 130,000 tons by authorizing expansion expenses of 10,880,000 *yen* after the conclusion of the Russo-Japanese War. This last plan having been found still unsatisfactory, another plan was formed in 1911 for increasing the productive capacity to 300,000 tons by authorizing a further expenditure of 12,000,000 *yen* until the year 1915. The following table shows the expenses required in the organization and expansion of the iron foundry (the figures for 1912 and 1913 being based on the budget estimates):

ORGANIZATION EXPENSES OF IRON FOUNDRY

Fiscal year	Organization expenses	Organization expenses of the iron foundry, in the departmental extraordinary expenses in connection with the Russo-Japanese War	Subsidy to the organization expenses of the iron foundry	Maintenance expenses of the Akadani mine	Supplement to the working capital of the foundry
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1896	157,529	....	....	....	....
1897	709,224	....	....	....	....
1898	1,747,572	....	....	....	....
1899	3,011,008	....	....	....	....
1900	7,126,198	....	....	....	....
1901	5,853,335	....	322,762	....	....
1902	490,117	....	495,429	....	....
1903	820,011	31,905	20,454	5,386	2,640,711
1904	289,596	1,576,872	....	....	898,185
1905	1,181,055	2,307,271	....	....	990,175
1906	3,498,886	724,378	....	....	869,720
1907	4,729,547	....	....	....	1,790,986
1908	4,407,073	....	....	....	1,397,539
1909	1,470,113	....	....	....	1,577,391
1910	255,428	....	....	....	880,963
1911	421,664	....	....	....	....
1912	3,022,186	....	....	....	....
1913	3,797,535	....	....	....	....
Total	42,988,078	4,640,426	838,645	5,386	11,136,670

While the establishment of the iron foundry was important as a means of fostering home industries and as a military industry, the expenditures for its organization and expansion are doubtful armament expenditures. However, in view of the circumstances in which this iron foundry was started and operated as a government enterprise, we believe that they may be included in our extraordinary armament expenditures. Still, as it is impossible to draw a line of demarcation between the army and the navy with regard to these expenditures, and as they are under the control of the Department of Agriculture and Commerce and not of the Department of Finance, we decided to treat them here instead of in the main body of the present treatise. Incidentally, it must be noted that, in the organization expenses of the foundry, the sum of 4,640,000 *yen* disbursed from the departmental extraordinary expenses in connection with the Russo-Japanese War refers to the identical expenditures mentioned in the following pages under the head of Relative Expenses in the Russo-Japanese War.[1]

[1] Cf. Appendix, Table No. 10(c).

TABLE A.—EXPENSES FOR MILITARY AFFAIRS OF THE SINO-JAPANESE WAR

Army Department				Navy Department			
Items	Amount	Proportion of total expenses for military affairs	Proportion of army expenditures	Items	Amount	Proportion of total expenses for military affairs	Proportion of navy expenditures
	Yen	*Per cent*	*Per cent*		*Yen*	*Per cent*	*Per cent*
Salaries and allowances	16,334,951	7.02	8.42	Salaries and allowances	1,699,962	0.73	4.39
Provisions	25,822,824	11.10	13.32	Provisions	1,179,471	0.51	3.05
Clothing	23,308,973	10.02	12.02	Clothing	476,012	0.20	1.23
Arms and ammunition	12,707,359	5.46	6.55	Warship maintenance	4,322,335	1.86	11.17
Horses	7,890,085	3.38	4.80	Special war requisites	233,995	0.10	0.61
Sick and wounded	1,624,771	0.70	0.84	Arms, ammunition and torpedoes	10,425,577	4.48	26.94
Camp utensils	927,677	0.40	0.48	Warships	14,660,809	6.30	37.88
Sundry wares	4,898,811	2.11	2.53	Medical care	46,152	0.02	0.12
Posts and telegraphs	642,050	0.28	0.33	Prisoners	138	....	....
Transportation	36,292,476	15.60	18.78	Transportation	1,296,751	0.56	3.35
Traveling expenses	3,684,311	1.58	1.90	Traveling expenses	257,042	0.11	0.66
Employees	21,203,776	9.12	10.92	Office expenses	238,592	0.10	0.62
Construction	7,380,229	3.17	3.81	Sundry expenses	321,440	0.14	0.83
Sundries	2,404,888	1.03	1.24	Construction and repairs	946,705	0.41	2.45
Secret service	1,537,248	0.66	0.79	Weapon factory, temporary building	1,260,749	0.54	3.26

Purchase of ships.....	3,697,866	1.59	1.91	Lighthouse sites, survey expenses.....	12,009	0.01	0.03
Civil administration office.....	200,244	0.09	0.10	Sundries.....	21,288	0.01	0.05
Submarine cables between Osumi and Formosa.....	3,226,587	1.38	1.66	Secret service.....	106,880	0.05	0.28
Guide-lights for navigation to Formosa	470,410	0.20	0.24	Temporary rewards....	1,158,379	0.51	2.99
Special festival at Yasukuni shrine.....	10,000	....	....	War medals.....	16,104	0.01	0.04
Government of Formosa	2,813,606	1.21	1.45	War history, compilation expenses.....	25,215	0.01	0.07
Temporary rewards....	15,923,317	6.85	8.21				
War medals.....	161,870	0.07	0.08				
Waterworks for military use at Hiroshima	639,845	0.28	0.33				
Railway trunk-line and harbor works investigation in Formosa ...	99,998	0.04	0.05				
Total army expenses	193,904,172	83.36	100	Total navy expenses .	38,705,601	16.64	100

TABLE B.—EXPENSES FOR MILITARY AFFAIRS IN THE NORTH CHINA DISTURBANCE[a]

Army Department				Navy Department			
Items	Amount	Proportion of total expenses for military affairs	Proportion of total army expenditures	Items	Amount	Proportion of total expenses for military affairs	Proportion of total navy expenditures
	Yen	*Per cent*	*Per cent*		*Yen*	*Per cent*	*Per cent*
Salaries and allowances.	1,582,617	4.14	5.02	Salaries and allowances..	858,905	2.25	12.99
Weapons	5,349,165	14.02	16.95	Office expenses	48,722	0.13	0.74
Clothing	2,955,538	7.74	9.37	Traveling expenses	50,492	0.13	0.76
Provisions	3,044,164	7.98	9.65	Sundry expenses	42,960	0.11	0.65
Horses	1,616,193	4.23	5.12	Special allowances	90,905	0.24	1.37
Sick and wounded	342,928	0.90	1.09	Provisions	517,773	1.50	8.65
Camp utensils	421,392	1.10	1.34	Clothing	316,335	0.83	4.78
Sundry wares	393,757	1.03	1.25	Shipbuilding and repairs.	57,257	0.15	0.87
Posts and telegraphs	131,883	0.35	0.42	Sick and wounded	16,608	0.04	0.25
Transportation	3,865,026	10.13	12.25	Naval stations and ports.	29,139	0.08	0.44
Traveling expenses	317,401	0.83	1.01	Warship maintenance...	3,761,722	9.86	56.87
Employees	868,194	2.28	2.75	Hydrographic expenses..	1,836	....	0.03
Construction	1,215,050	3.18	3.85	Buildings	320,429	0.84	4.84
Sundries	974,839	2.55	3.09	Ships	342,642	0.90	5.18
Secret service	1,028,083	2.69	3.26	Secret service	49,067	0.17	0.74
Mobilization expenses...	43,616	0.11	0.14	Sundries	35,954	0.09	0.54
Maneuvers	35,640	0.09	0.11	Temporary rewards	13,260	0.04	0.20

Temporary rewards.....	355,862	0.93	1.13	Arms, ammunition and torpedoes.....	3,672	0.01	0.06
Repairing land and building of the army at Ujina	644,396	1.69	2.04	War medals.....	2,355	0.01	0.04
Yasukuni shrine, special festival.....	15,000	0.04	0.05	Aids.....	260	....	....
Expenses of personnel ...	2,443,387	6.40	7.74				
Expenses of materials ...	3,768,581	9.87	11.94				
Purchase of land near Tang-ku.....	89,088	0.23	0.28				
Restoration of officers' hall and boarding house at Pekin destroyed by fire.....	47,856	0.13	0.15				
Special contribution to Yasukuni shrine.....	1,172	....	....				
Total army expenditures	31,550,826	82.67	100	Total navy expenditures	6,614,295	17.33	100

[a] Cf. Appendix, Table No. 7.

CHAPTER V

FROM THE RUSSO-JAPANESE WAR TO THE PRESENT DAY

After the Sino-Japanese War, both the government and the people of Japan applied themselves with great energy to the national armament expansion. As a result of Japan's victory over China, the great country in the Orient, her national strength acquired sudden recognition throughout the world. Meanwhile, however, all the Western Powers had begun to extend their influence in the Orient, thus making international relations in the Far East more and more complicated. For Japan, accordingly, it became more necessary than ever to develop a real military power which would enable her to maintain her position in the Far East. Unless Japan was able to assert herself in Far Eastern affairs, it was apparent that China's territorial integrity would be doomed; and the Government of Japan always feared the alienation of the Chinese territory, as that would place Japan in a very disadvantageous position with regard to her national defense. Though the retrocession of Liaotung was effected in accordance with the friendly counsel of Germany, Russia, and France, the Japanese nation was shocked by this incident; and considering that it was no other than coercive interference in the absence of sufficient military strength on the part of Japan, the whole nation was quite ready to endure anything to the end of completing her military forces. Such was the motive by which the army and navy expansions were steadily and decisively carried out on a large scale after the Sino-Japanese War.

The Russo-Japanese War was unprecedentedly great in the size of the forces employed by both belligerents, in the fierceness of the fighting, in the magnitude of interests affecting both countries, and in the immensity of the expenses incurred. Fortunately for Japan, victory was on her side, and having

attained the objects of the war, she could gain a very advantageous position with regard to her national defense, with the result that her prestige was expanded more than ever and her military strength was fully recognized by all the Powers. But this enhancement of her national position did not release her from the problems and burdens of armament; on the contrary, it only convinced her of the still greater necessity of devoting her energies to military and naval preparations. This was much more the case for the reason that, as a result of the war, it was found that elaborate improvements were necessary in the manufacture of arms and ammunition, in the construction of men-of-war, in military education, and in all warlike measures. All this was due to the influence of the competitive efforts that were being constantly put forth by other Powers to the end of strengthening their armaments on both land and sea. Accordingly, most of the expenditures after the Russo-Japanese War were made for armament expansion purposes, though the headings or items in the budget estimates were expressed in the form of recuperation of armament or completion of warships, except where they were actually used for restoring losses and damages sustained in the war. In this connection it may be stated that the expansions effected in this epoch were not so conspicuously large as in the epoch following the Sino-Japanese War. The expenditures to be treated in the present chapter are those for war and armament in the epoch commencing with the Russo-Japanese War and ending with the year 1913.

War Expenditures

After October, 1903, the negotiations with Russia became more and more active and caused enormous expenditures of money, so much so, indeed, that the ordinary sources of revenue were found insufficient. In December, 1903, an Imperial Ordinance of Financial Emergency was issued, by which the government was enabled (1) to make temporary loans, (2) to divert part of the funds belonging to various Special

Accounts, and (3) to issue Exchequer Bonds, all for meeting the expenditures of supplementing the national armament. The government thus found means of forestalling the enemy, in case of necessity, by obtaining 100,000,000 *yen* of the income from Exchequer Bonds, 25,000,000 *yen* diverted from various special-account funds, and 30,970,000 *yen* proceeding from temporary loans. Now the Russo-Japanese negotiations became more and more difficult. Japan's demands regarding Korea and Manchuria were disregarded by Russia, while Russia's war preparations were steadily completed against Japan. The Imperial Government, perceiving that war was inevitable, broke off diplomatic relations with Russia on February 5, and on February 9 some Russian men-of-war were sunk off Chemulpo. Then the bombardment of Port Arthur commenced, and the Imperial declaration of war was issued on February 10. The Diet, which had been dissolved at the end of the preceding year, was on March 18 convened at Tokyo, where the government presented a bill for 380,000,000 *yen* of extraordinary war expenditures, the first budget for expenses for military affairs for this war.

According to this budget, the financial resources for the 380,000,000 *yen* were to be obtained from 280,000,000 *yen* derived from public loans, Exchequer Bonds, and temporary loans; from 30,000,000 *yen* diverted from special-account funds; from 62,000,000 *yen* derived from increased taxation; and from 8,000,000 *yen* of the General Account surplus. Regarding the Relative Expenses in the war (or the expenses incurred in various departments other than those of the army and navy), another bill for 40,000,000 *yen* was submitted to the Diet, the resources for which were to be sought in a surplus to be created by economizing the expenditures from the General Account. Both Houses of the Diet unanimously passed these bills; and the fact that the Diet, which in the preceding few years had always collided with the government on various questions, showed so splendid an attitude of consent on this occasion proved that the hostile feeling of the nation had reached its height, just as on the occasion of the

Sino-Japanese War. Further, the Diet then resolved that it was ready to approve any further war expenditures, as it was thought that this war might be of long duration.

The war expenditures were met from December, 1903, by means of diversions of Treasury funds and by temporary loans from the Bank of Japan; but in February, 1904, the government, according to the right given by the above-mentioned Imperial Ordinance of Financial Emergency, issued 100,000,000 *yen* of 5 per cent Exchequer Bonds. Subsequently, according to the aforesaid first budget estimates, Exchequer Bonds were further issued to the amount of 100,000,000 *yen* in May, and 80,000,000 *yen* in October, 1904. Prior to this the government saw that the domestic resources were not sufficient to meet the enormous demands in this war, and owing also to the necessity of keeping specie in the country it was decided to negotiate foreign loans. In May, 1904, accordingly, 6 per cent Sterling Bonds were floated in London and New York to the amount of £10,000,000, and they were subscribed to and paid for with very satisfactory results. The war funds obtained through these loans were gradually turned into the Treasury, and thus monthly incomes ranging from 18,000,000 *yen* to 53,000,000 *yen* were received in the interval between April and October, 1904. Meanwhile, the Japanese forces advanced on the wings of victory after each successive battle, and on May 26 Kinchow was captured and Port Arthur was besieged. General Oyama was sent to the front as commander-in-chief, and our corps marched on to the fields of Manchuria.

In November, 1904, the twenty-first session of the Diet was convened in Tokyo, at which the government asked for 700,000,000 *yen* as a supplementary budget for extraordinary war expenditures and 80,000,000 *yen* as a Reserve Fund for Extraordinary Affairs. This was the second budget estimate made in this war. The resources for the above war expenditures were to be found in 571,000,000 *yen* obtained from proceeds of public loans, the income from Exchequer Bonds and from temporary loans, 8,000,000 *yen* diverted from special

account funds, 1,500,000 *yen* of contributions to the war fund, and 500,000 *yen* of sundry receipts, the balance of 119,000,000 *yen* being sought in increased taxation and in the salt monopoly. As regards the above-mentioned Reserve Fund, the resources therefor were to be obtained by economizing the expenditures from the General Account and by temporary loans. Of the 570,000,000 *yen* of proceeds of public loans, belonging to the second budget estimate, 117,000,000 *yen* was already obtained by floating the second issue of Sterling Bonds in England and America in November, 1904, to the amount of £12,000,000, according to the above-mentioned financial emergency measure, and therefore this amount was submitted to the Diet only for *ex post facto* consent as forming a part of the second budget estimate. In consequence, the amount of the public loans to be raised thereafter according to the second budget estimate was 433,000,000 *yen*.

At the beginning of 1905 the government issued 100,000,000 *yen* of fourth Exchequer Bonds, followed by another 100,000,000 *yen* of fifth Exchequer Bonds in April of the same year. In March, 1905, 4½ per cent Sterling Bonds to the amount of £30,000,000 were issued in England and America, and the raising of public loans belonging to the second budget estimate was thus finished. Then a further emergency measure was adopted whereby the fourth Sterling Bonds to the amount of £30,000,000 were issued in England, Germany, and America. Meanwhile, the army proved to be continually victorious. The great decisive battle at Mukden was fought on March 10, and the Russian Baltic fleet, which had come a long way from the West, was annihilated by a single effort on May 28. The Japanese victory was now assured. After the occupation of Saghalien on August 4, peace negotiations were opened with Russia through the mediation of the President of the United States; and though on September 5 the treaty of peace was finally signed, still further expenditures were necessary for the withdrawal of troops from the front and for the grant of rewards for military services. Such being the case, the funds allotted by the budget estimates for the extraordinary war

expenditures ran short prior to the opening of the Diet in December, 1905, and those for the departmental expenses in connection with the war (or the Relative Expenses) were also exhausted. But as the war expenses pertaining to the army, amounting to 60,000,000 *yen*, and the various departmental expenses in connection with the war, amounting to 28,000,000 *yen*, making a total of 88,000,000 *yen*, were urgent expenditures which could not wait till the supplementary budget was passed, they were accordingly paid out as disbursements unprovided for in the budget. As sources of revenue to meet these expenditures, 60,000,000 *yen* were taken out of the unused balance of the proceeds of the loans belonging to the Special Account for Extraordinary War Expenditures, and 24,000,000 *yen* out of the surplus of the General Account. When the Diet was convened in December, the government presented the third budget estimate for extraordinary war expenditures calling for an appropriation of 450,450,000 *yen*, and to meet this amount it was proposed to take 88,000,000 *yen* of the unused balance of the proceeds of the loans belonging to the Special Account for Extraordinary War Expenditures and 362,450,000 *yen* of the proceeds of new loans. In accordance with this budget, the government raised a loan for extraordinary war expenditures in February, 1906, to the amount of 200,000,000 *yen*.

In this way the funds for carrying on this unprecedentedly great war were raised. Our successive victories greatly assisted the satisfactory raising of loans in the foreign markets on terms advantageous to us, and also increased the national willingness to bear the burdens of increased taxation and to subscribe to the Exchequer Bonds. We must not forget the fact that the victories of our soldiers facilitated the carrying out of our financial measures to a very great extent. Before going on to explain the details of these war expenditures, we shall here call attention to their amounts according to the budget estimates and the corresponding sources of revenue as shown in Table A at the end of this chapter.[1]

[1] *Post*, p. 104.

The expenditures for the Russo-Japanese War were thus enormous, and as the corresponding sources of revenue were different in nature from those in ordinary cases, a special account was opened for them as on the occasion of the Sino-Japanese War; and similarly a particular fiscal year was made for the purpose, beginning with the commencement and ending with the conclusion of hostilities. As the budget for the extraordinary war expenditures and the departmental expenditures was voted by the Diet as a lump sum without itemization, the government, with a view to precluding any mistakes in the defrayment of the expenses, adopted elaborate formalities for the control of such disbursements. Thus, before any payment was made, the Minister of War or of the Navy was to consult privately with the Minister of Finance, who was to give his assent after he had examined the proposed application, reported it, with his opinion appended thereto, to the Minister President, and obtained his approval. The Minister of War or of the Navy was then to apply formally for the disbursement, and the Minister of Finance had to obtain Imperial sanction, before the disbursement could be made.

Now, let us consider the Settled Accounts of the expenditures of the Russo-Japanese War. The aforesaid special account for these expenditures was settled on March 31, 1907, and the receipts and disbursements were closed up by the end of November. At the same time, the balance remaining of the Settled Accounts, amounting to 212,739,718 *yen*, was transferred to the General Account, and 130,700,000 *yen*, which still had to be paid out as war expenditures, was changed to be paid out of the General Account. Thus, the statistics having direct connection with the Russo-Japanese War are to be found in the Settled Accounts under the Special Account for Extraordinary War Expenditures, in the General Account after 1907, and in the various Departmental Expenses connected with the war. The figures of Settled Accounts collected from these three sources are shown in Table B at the end of this chapter.[1]

[1] *Post*, p. 105. Cf. also Appendix, Tables Nos. 10(a), 10(b), and 10(c).

We now see that the grand total of the expenditures for the Russo-Japanese War was 1,639,267,194 *yen*, of which the army expenditures covered 86 per cent and the navy expenditures 14 per cent. The military forces engaged in the war were seventeen divisions of field corps, two divisions of the second reserve, seven mixed brigades of the second reserve, and seven brigades of infantry of the second reserve, besides the militia and other reserve forces. The area of hostilities extended from Korea and Liaotung far into Manchuria, to Mukden and Changchung, also to Saghalien in the north. When we consider that the attack on Port Arthur and the engagement at Mukden were among the greatest battles that have taken place in modern history, we do not wonder that the expenditures involved in this war came to so enormous an amount. The greatest item of expenditure in the army, amounting to 19 per cent of the total army expenditures, was that of provisions, which included all kinds of food and forage. Next came the item of transport, covering 18 per cent of the whole expenditure, and including the construction expenses of the Seoul-Yichou, Eastern Chinese, Antung-Mukden, and Fushun-Tieling railways, the cost of materials therefor, and the payments for chartered vessels. Then followed the items of arms and clothing, each of which amounted to 13 per cent of the total army expenditures.

Of the navy there were employed fifty men-of-war (255,000 tons), twenty-two torpedo-boat destroyers (7,200 tons), and fifty torpedo boats (5,400 tons), totaling 267,000 tons; and they all participated in several fierce battles. The heaviest item in the navy expenditure was that of warship and torpedo-boat replenishing expenses, which were used for converting chartered merchantmen into war vessels and for general replenishment; and if we add to this account the sum of 16,000,000 *yen* used for the purchase of warships (i.e., the two men-of-war, Nisshin and Kasuga, purchased for immediate use in war), the sum total covers 27 per cent of the total navy expenditures. The next largest items were those of naval ordnance and repairs and shipbuilding and repairs,

the sum total of the two covering 21 per cent of the total navy expenditures. The item of warship maintenance, including the expenses for coal and all other necessaries in navigation, was also considerable, amounting to 17 per cent of the total figure.

The various departmental expenses incurred in connection with this war also amounted to a considerable sum, the details of which are as follows:[1]

RELATIVE EXPENSES IN RUSSO-JAPANESE WAR

Department	Amount
	Yen
Department of Foreign Affairs	8,829,673
Department of Home Affairs	2,015,580
Department of Finance	128,824,849
Army Department	36,265,592
Navy Department	25,039,391
Department of Education	259,203
Department of Agriculture and Commerce	4,919,471
Department of Communications	15,427,849
Total	221,581,608

If this total of 221,581,608 *yen* is added to the aforesaid total of the extraordinary war expenditures, the grand total comes to 1,860,848,801 *yen*, the final grand total of the Russo-Japanese War expenditures. The relative or departmental expenditures covered 12 per cent of the final grand total, and as much as 58 per cent of these expenses was defrayed by the Department of Finance.

ARMAMENT EXPENDITURES

Army

To meet the unparalleled requirements of the great Russo-Japanese War, four new divisions of the army were hastily organized in the midst of the hostilities. These were found insufficient, and while further increment schemes were under contemplation the war came to an end. The four newly

[1] Cf. Appendix, Table Nos. 10(c) and 10(d).

organized divisions were continued after the war, however, and with the establishment of two other new divisions the total number of army divisions was increased from thirteen to nineteen. At the same time other increments were effected by making a special independent corps of four cavalry brigades and three artillery brigades. The garrison artillery was reformed to heavy artillery, and thereby the number of artillery soldiers was increased. The communications brigade, the railway battalion, the telegraph battalion, and the balloon battalion were newly organized, and besides there were established the Formosan garrison, the Manchurian independent garrison, and a special detachment in Korea, whereby also the number of soldiers was noticeably increased. In October, 1907, a system of two-year instead of three-year service was adopted for the infantry, as a result of which the number of soldiers was to be increased 25,000 yearly or 250,000 in ten years.

The above is the gist of the army expansion scheme formed after the Russo-Japanese War; but besides this we may mention the establishment of the Horse Administration Bureau in 1906 for the encouragement of stud breeding, and the issuance in the same year of the Invalid Soldiers' Asylum regulations for the relief of disabled soldiers. All this shows that the government has labored incessantly for the completion of all the necessary equipments and provisions of the army.

Regarding the financial side of these increment plans, we may note that in the war years of 1904 and 1905 many of the ordinary expenses were defrayed as war expenditures, and on the other hand a considerable amount was saved by general economies in the annual expenditures. But in 1907 large budget estimates were made out for organizing six new divisions. The first estimate was for repairing and furnishing arms and implements for campaign use, being continuing expenditures for eleven years (1907–1917) and amounting to 110,000,000 *yen* and including 24,000,000 *yen* for purchase of land, 33,000,000 *yen* for building expenses, and 52,000,000 *yen* for arms, etc.; and the second estimate was

for the post-bellum adjustments, being continuing expenditures for five years and amounting to 59,000,000 *yen*, of which the chief item was 51,000,000 *yen* for the restoring of arms, etc. These continuing expenditures were readjusted several times during the years 1908, 1909, and 1910 on account of financial and other circumstances, and in the meantime several new enterprises were also introduced.

The addition of six new divisions and the adoption of the two-year system for the infantry naturally caused a considerable increase in the ordinary expenditures, and it was expected that the amount of such increase would be 7,000,000 *yen* annually.

The figures for the armament expenditures of the army in this epoch (the figures for 1912 and 1913 being according to the budget estimates) were as follows:[1]

ARMAMENT EXPENDITURES FOR THE ARMY, 1903–1913

Fiscal year	Ordinary expenditures	Index number	Extraordinary expenditures	Index number
	Yen		*Yen*	
1903.....	42,732,070	100	6,381,093	100
1904.....	12,905,832	32	2,395,660	37
1905.....	18,346,414	48	1,925,145	29
1906.....	67,009,748	157	1,640,372	26
1907.....	76,000,338	178	35,087,328	549
1908.....	91,850,931	212	49,934,999	785
1909.....	92,640,363	213	21,534,523	338
1910.....	98,087,875	231	16,434,399	253
1911.....	100,901,210	237	24,746,916	387
1912.....	101,835,960	237	17,720,252	279
1913.....	94,097,458	221	19,780,673	310
Total....	753,676,129	211	191,200,267	365

Excluding the war years of 1904 and 1905, we find that the ordinary expenditures of the army gradually increased from the year 1906 to the years 1911, 1912, and 1913, when they became nearly stationary, reaching about 100,000,000 *yen*. The increase was from 220 to 240 per cent as compared with the year 1903, and the average increase for the eight years

[1] Cf. Appendix, Table Nos. 11(a) and 11(b).

from 1906 was 210 per cent. As regards the extraordinary expenditures, they increased abnormally to 35,000,000 *yen* and 50,000,000 *yen* in the years 1907 and 1908; and though they decreased somewhat in after years, their average increase for the eight years from 1906 was 370 per cent with respect to the year 1903. The total of the ordinary and extraordinary expenditures of the army in the ten years was 944,876,396 *yen*.

In both the ordinary and the extraordinary expenditures for 1904 and 1905 we see a considerable decrease, and this is explained by the fact that, when the proposed budget for 1904 was not adopted and that for the previous year had to be carried out instead, the Russo-Japanese War broke out. Then, according to the first budget for extraordinary war expenditures, economy and postponement were effected in the general expenditures, and thereby 50,920,000 *yen* was squeezed out as resources for extraordinary war expenditures. Consequently, many of the army and navy armament expenditures came to be disbursed as war expenditures. Thus, in 1904, 12,544,176 *yen* was curtailed in the expenses for military affairs under the control of the army department, and 470,516 *yen* in the extraordinary expenses such as building and repairs, surveying expenses, general repairing and furnishing arms and implements for campaign use. In 1905 about the same curtailment was effected for the same reasons, except in a case such as the battery construction expenses, where the works were carried out as prearranged and disbursements were made accordingly. In 1906 the expenses for military affairs returned to the same condition as before, and as the annuities, pensions, compassionate allowances, and gratuities suddenly increased (the total of the four items amounting to 28,600,000 *yen*), the ordinary expenditures increased by 60 per cent as compared with those of 1903. In 1907 the expenses for military affairs increased by 1,200,000 *yen*, which was due indirectly to the organization of new divisions. As regards the increased extraordinary expenditures in the same year, the chief disbursements therefor were 16,000,000 *yen* as

a part of the annual instalment of 33,000,000 *yen* for 1907 of the aforesaid eleven-years continuing expenditures for furnishing arms and implements for campaign use of the total 110,000,000 *yen*; and 4,000,000 *yen*, the annual instalment for post-bellum adjustments, which, as stated above, was a new account created chiefly for restoring worn-out arms. The expenses for military affairs after 1908 underwent an annual increase of 3,000,000 *yen* and reached 73,000,000 *yen* in 1911. After that not much change took place, owing to the fact that in the year 1911 the armament repletion plan adopted after the conclusion of the Russo-Japanese War was almost completed. The other ordinary expenditures, such as gendarmerie, contributions to Yasukuni Shrine, Horse Administration Bureau, annuities, pensions, allowances, and gratuities, were made almost in the same amounts every year, the minimum being 25,000,000 *yen* in 1908 and the maximum 28,000,000 *yen* in 1912. The extraordinary expenditures reached their maximum (49,340,000 *yen*) in 1908, in which year the item of furnishing arms and implements for campaign use amounted to no less than 37,000,000 *yen*, as there were large payments of these expenses brought forward from previous years in connection with the establishment of the six new divisions. The annual allotment of these expenses was very large in this year, and there was also a disbursement of 4,000,000 *yen* for the two regiments newly stationed in Korea since the end of 1906. In 1909 various equipments were nearly completed for the six new divisions, and consequently the expenses for furnishing arms and implements for campaign use began to decrease, as the chief of these expenses—the construction expenses—decreased in that year to 10,000,000 *yen* from 27,000,000 *yen* in the preceding year. The post-bellum readjustment expenses in the same year underwent an increase, however, because in the chief item of these—the restoration expenses—there was made a payment of 1,000,000 *yen* brought forward from the preceding year. In 1910 the extraordinary expenditures decreased to 16,000,000 *yen*, in spite of disbursements of 400,000 *yen* representing the first instalment of the three-years

continuing expenditures of 1,763,619 *yen* for building, for furnishing arms and implements for campaign use, and for the Formosan Ordnance Department, and of 262,000 *yen* for military balloon investigation expenses. In 1911 the extraordinary expenditures were increased by 8,000,000 *yen* on account of 1,000,000 *yen* expended for a detachment sent to Korea and of 7,000,000 *yen* for restoration expenses of post-bellum readjustments; and in the same year the number of continuing years and the amount of the annual instalments for furnishing arms and implements for campaign use and for the Tokyo Bay battery construction were revised. In 1912 the item of post-bellum readjustment expenses was abolished and consolidated with that of repairs and furnishing arms and implements for campaign use; and the number and the amount of annual instalments of this latter-named item were revised, the item being made a continuing expenditure for eight years beginning with 1912 for a total of 64,821,220 *yen*. The first annual instalment of 1,000,000 *yen* was disbursed in 1912, and the second of 11,000,000 *yen* in 1913. However, the building and other expenses connected with the post-bellum army expansion were generally concluded by this time, and the extraordinary expenditures in 1912 and 1913 consequently decreased.

Navy

The naval strength of Japan after the conclusion of the Russo-Japanese War was suddenly increased. Though Japan lost eleven warships (44,000 tons) and seven torpedo boats (600 tons), she captured twenty-two warships and torpedo-boat destroyers (135,000 tons). During the war, moreover, two warships (15,000 tons) were purchased and three warships (10,000 tons) were constructed, so that by the end of 1906 the total displacement of Japan's navy amounted to 451,000 tons. Taught by the experience of this war, and studying the tendency in the naval construction methods employed by the other Powers, Japan found that her warships were imperfect in many respects, and she saw the necessity of augment-

BUDGET ESTIMATES OF NAVAL REPLETION SCHEME ADOPTED AFTER RUSSO-JAPANESE WAR

Items	Amounts	Remarks
(1) Warship construction and building expenses:		To be disbursed in eleven years (1903–1913). The amounts of the annual instalments were revised in 1908, 1909 and 1910 and made to extend to 1916. These were required for the construction of the battleships Kashima and Katori (16,000 tons), the cruiser Ibuki and the gunboat Toba. The construction plans were made in 1903, as mentioned in the preceding chapter, but the actual disbursements were made in this epoch.
	Yen	
Shipbuilding	62,348,269	
Naval ordnance	29,001,307	
Building	8,510,721	
Total	99,860,297	
(2) Warship and torpedo-boat replenishing expenses:		To be disbursed in six years (1907–1912); prolonged two years in 1908. These were required for the construction of the cruisers or dispatch boats Tsukuba, Ikoma, Mogami, Tone and Kurama, and the battleships Aki and Satsuma (19,800 tons and 19,350 tons, respectively).
Shipbuilding	35,783,424	
Naval ordnance	28,293,867	
Total	64,077,291	
(3) Supplementing of warships and torpedo boats:		To be disbursed from 1907 to 1913. These were required for the construction of the battleships Kawachi and Settsu (20,800 tons) and the cruisers Hirado and Yahagi.
Shipbuilding	47,955,593	
Naval ordnance	28,621,509	
Total	76,577,102	
(4) Adjustments and equipments:		To be disbursed in seven years (1907–1913); revised in 1909 and 1910 and made to extend to 1916. These were required principally for repairing, restoring and making improvements and not for constructing new warships.
Shipbuilding and naval ordnance repairs	79,846,728	
Building	31,724,428	
Total	111,571,156	
(5) Supplement to armament repletion expenditures	88,233,170	To be disbursed from 1911 to 1916. In 1911 the four above-mentioned continuing expenditures were combined under one account for armament repletion expenditures, which by the addition of 82,233,170 *yen* were made to total 434,309,016 *yen*. Another addition of 6,000,000 *yen* was made in 1913.

ing her naval strength to an aggregate displacement of 500,000 tons. According to this necessity, the post-bellum naval repletion scheme was put into practice, and the corresponding budget estimates were in the main as shown on the previous page.

The balances remaining in and after 1911 of the first four items mentioned above, plus the supplement in the fifth item, formed the so-called armament repletion expenditures. The warships that were being or have been constructed since 1911 by means of these armament repletion expenditures are the cruisers Kongo, Hiyei, Haruna and Kirishima (27,500 tons each), the battleships Fuso (30,600 tons) and Nos. 4, 5 and 6 (each 30,800 tons), and the gunboat Saga. For the completion of all these ships, it was estimated that 90,000,000 *yen* more was needed. By the end of 1913, the navy was to consist of sixty-eight warships (549,000 tons), besides fifty-nine torpedo-boat destroyers, fifty-four torpedo boats, and thirteen submarines. Comparing this naval strength with that at the end of 1906, the increase in tonnage is not great, but the substantial improvements carried out are conspicuous. Further, when the six ships in course of construction at the end of 1913 are completed, there will be an added strength of 185,000 tons. Among the other causes of the post-bellum increase of expenditures may be mentioned the establishment of the Port Arthur naval station and the Chin-hai Bay secondary naval station.

These armament repletions naturally resulted in an annual increase of the ordinary expenditures, which may be seen in the following figures taken from the Settled Accounts.[1]

Excluding the war years of 1904 and 1905, and basing our calculation on the figures of 1903, we find that the ordinary expenditures continued to increase rapidly, from 29,000,000 *yen* in 1906 to 45,000,000 *yen* in 1913, showing an average annual increase of 170 per cent for the eight years beginning with 1906. The extraordinary expenditures also increased greatly after 1907, reaching the maximum of 65,000,000 *yen* in

[1] Cf. Appendix, Table No. 12.

1911, the average annual increase as above having been 290 per cent. The total of the ordinary and extraordinary expenditures during these ten years was 686,287,464 *yen*.

TABLE SHOWING ANNUAL INCREASE OF EXPENDITURES, 1903–1913

Fiscal year	Ordinary expenditures	Index number	Extraordinary expenditures	Index number
	Yen		*Yen*	
1903.....	22,094,699	100	14,566,631	100
1904.....	8,803,971	37	12,365,466	85
1905.....	13,085,535	56	11,030,754	76
1906.....	29,209,791	32	12,584,512	86
1907.....	32,985,632	149	31,918,260	220
1908.....	36,137,882	163	36,247,176	250
1909.....	37,077,328	162	35,648,795	246
1910.....	40,456,595	182	45,431,464	342
1911.....	42,500,564	191	65,854,965	453
1912.....	43,116,309	195	51,968,508	358
1913.....	45,227,909	202	54,636,048	376
Total.....	328,601,516	172	357,685,948	292

In the war years of 1904 and 1905 the items of the expenses for military affairs, such as traveling expenses, special allowances, shipbuilding and naval ordnance repairs, etc., which were defrayed as extraordinary war expenditures, amounted to more than 10,000,000 *yen*, and thereby there was a great decrease in the ordinary expenditures. In the extraordinary expenditures, the naval expansion expenses defrayed according to predetermined budget estimates decreased by 5,000,000 *yen* in 1904 and 8,000,000 *yen* in 1905 (owing to the completion of some of the warships), as compared with those of 1903; but the decrease was not great, because, on the other hand, there was an increased expenditure of 3,500,000 *yen* in each of these two war years in the warship construction and building expenses as continuing expenditures since 1903, and because the Kure arsenal extension expenses did not diminish in comparison with 1903. In 1906 there was a considerable increase in the ordinary expenditures owing to the increased expenses for military affairs (6,000,000 *yen* over 1903 and 15,000,000 *yen* over 1905) caused by the increased number of warships. There

was no special increase in the extraordinary expenditures, however, as the post-bellum schemes were not as yet carried out. In 1907 we find that, while the ordinary expenditures showed normal increases only, the extraordinary expenditures suddenly increased, showing the commencement of the working of new schemes, as there was disbursed a total of 20,800,000 *yen*, the first annual instalments of warship and torpedo-boat replenishing expenses, warship and torpedo-boat supplementing expenses, and adjustment and equipment expenses, viz., the second, the third and the fourth of the above-mentioned naval repletion budget estimates, the first of which, or the warship construction and building expenses, being a continuing expenditure since 1903. During the years 1908–1913, we see a gradual increase in the ordinary expenditures, due to the progress of the naval repletion work, the yearly increases ranging from 700,000 to 2,500,000 *yen*. The increased items were expenses of the Navy Department proper, expenses for military affairs of the navy, navy pensions, allowances to surviving families of naval officers and sailors, etc. In the extraordinary expenditures there were considerable disbursements during 1908–1910 for warship construction, warship and torpedo-boat replenishing, and adjustment and equipment expenses. In 1911 the extraordinary expenditures amounted to more than 64,000,000 *yen*, as the result of the additional disbursements for warship and torpedo-boat replenishing. At last, in 1913, the work of the so-called naval repletion scheme was nearly accomplished, and the object of supplementing the naval strength, after the experience of the Russo-Japanese War, was attained, enabling Japan to fall in line with the world's tendency.

Financial Resources

With reference to the sources of revenue to meet the expenditures of the Russo-Japanese War, the general explanation has already been given. Moreover, as taxes and public loans are subjects which do not fall within the scope of the present

treatise, we shall here give only the statistics corresponding to the financial resources in question.

In the first place, the Settled Accounts of these revenues belonging to the Special Account of the Extraordinary War Expenditure were as follows:

	Yen
Proceeds from public loans and Exchequer Bonds	1,418,731,229
Funds transferred from General Account (taxes stamp revenues, tobacco-monopoly profits, and Treasury surplus)	182,430,129
Funds diverted from Special Accounts (forestry fund, warship and torpedo-boat replenishing fund, and educational fund)	69,311,977
Voluntary contributions to war fund	2,331,176
Sundry receipts (penalties, fines, forfeitures, compensations, and interest on deposits)	16,107,521
Proceeds from sale of government properties (buildings, provisions and forage, night-soil and horse-dung, and cattle)	18,875,115
Special Receipts (disposal of captured articles and trophies)	3,516,325
Receipts from South Manchurian and Korean railways	9,908,784
Total	1,721,212,256

Thus, the total receipts of the Special Account of Extraordinary War Expenditure amounted to 1,721,212,256 *yen*; and if we compare this with the total disbursements of 1,508,472,538 *yen* of the same account, we find that there remained a surplus of 212,739,717 *yen*, which was transferred to the General Account on November 30, 1907.

In the second place, as regards the financial resources for the war expenditures of 130,794,655 *yen* to be disbursed from the General Account during and after 1907, we need not explain them beyond saying that these disbursements were transferred to the General Account; but we may mention that they were abundantly covered by the above-mentioned surplus of the Special Account of Extraordinary War Expenditure transferred to the General Account, as this surplus, minus the aforesaid 130,794,656 *yen* still left a balance of 81,945,061 *yen*.

In the third place, regarding the financial resources for 221,580,000 *yen* of various Departmental Expenses in connection with the war, we can not give accurate figures of these resources from the Settled Accounts. However, as the budget for 238,280,000 *yen* of these Departmental Expenses was made out simultaneously with that for extraordinary war expenditures, but independently of the General Budget, we can make an

approximate estimate and say that the government's financial arrangements for meeting the said budget for Departmental Expenses directly formed the financial resources in question. Such approximate financial resources for the Departmental Expenses, estimated according to the financial measures taken on the occasion, are as follows:

APPROXIMATE FINANCIAL RESOURCES

Departmental expenditures	Amount	Resources
	Yen	
Disbursement through financial emergency measure of December, 1903	257,893	Temporary loans
Budget of 1904	40 000 000	Surplus of Annual Account
Budget of 1905	87,200,000	Surplus and temporary loans
Disbursements (December, 1905) unprovided for in budget	28,825 409	Surplus of Annual Account
Budget of 1906	82,000,000	Surplus of Annual Account

Thus, we may say that the financial resources of the various Departmental Expenses in connection with the war were in the main sought in the surplus of the Annual Account and to a small extent in temporary loans.

With reference to 1,418,731,229 *yen* obtained as a financial resource for the Russo-Japanese War expenditures from the proceeds and receipts of public loans and Exchequer Bonds, we shall not give here any detailed explanations, but shall simply enumerate the issues with the corresponding dates and amounts, as shown in the table on page 100.

We have already stated that the Imperial Government, in order to obtain revenue to meet the expenditures of the Russo-Japanese War, adopted two schemes of increased taxation. The first scheme, which took the form of extraordinary special taxes, increased the land income, business, *sake*, and soy taxes, the sugar excise, the mining, registration, bourse, and shooting-license taxes, the tax on *sake* exported from the Prefecture of Okinawa, and various import duties; it also im-

RECEIPTS FROM PUBLIC LOANS AND EXCHEQUER BONDS

Date of issue	Kinds	Amount of issue	Actual receipts
		Yen	*Yen*
March 21, 1904.....	Exchequer Bonds:		
	First issue	100,000,000	92,376,124
June 25, 1904.....	Second issue	100,000,000	90,981,796
November 18, 1904 ..	Third issue	80,000,000	71,288,675
April 10, 1905	Fourth issue	100,000,000	90,254,962
May 15, 1905.....	Fifth issue	100,000,000	89,984,081
March 31, 1906.....	Extraordinary Military Expenditure Loan	200,000,000	189,064,218
May 17, 1904.....	Sterling Loans:		
	First 6 per cent	97,630,000	86,834,171
December 15, 1904 ..	Second 6 per cent	117,156,000	100,463,595
March 29, 1905.....	First 4½ per cent	292,890,000	251,158,987
July 11, 1905.....	Second 4½ per cent	292,890,000	251,137,817
July, 1906–June, 1907	Gratuities Substitution Loan	171,722,950	110,722,950

posed consumption taxes on woolen textiles and kerosene; increased the amount of stamps to be affixed to documents relating to civil suits and non-contentious commercial cases; by amending the regulations regarding cadasters it raised the fees chargeable in connection therewith; and by altering the formalities for registration it laid down in the detailed rules attached to the said regulations; finally, it increased the registration tax, and put into operation the tobacco-manufacture monopoly. The second scheme increased the revenues from taxation by amending the law regarding the extraordinary special taxes; it further increased the land, income, business, and *sake* taxes, the sugar excise, the patent medicine business tax, the mining, registration, bourse, and shooting-license taxes, the tax on *sake* exported from the Prefecture of Okinawa, and the stamp duty; it also increased the existing import duties and imposed new ones; it introduced a transit tax, a stamp duty on cheques, and a placer tax, and imposed a consumption tax on textiles other than woolens; it caused stamps to be affixed to documents relating to administrative suits; it established an inheritance tax; and it put into operation the salt monopoly. The receipts from these two schemes of increased taxation were as follows:

	Yen
1904	60,568,345
1905	154,091,858
1906	184,839,433
Total	399,499,636

A few words must also be said in regard to the temporary loans, though they are not items included in the Special Account revenues. As in the case of the Sino-Japanese War, it was often necessary during the Russo-Japanese War to secure advances from the Bank of Japan to make the Treasury receipts and disbursements balance. Although these advances were all made in the form of short-term loans and were redeemed before the closing of the Special Account, they may be looked upon as temporary or special sources of revenue. Their amounts were as follows:

	Yen
Temporary loan for armament repletion (Imperial Ordinance No. 291 of 1903)	41,500,000
Special loan for warship and torpedo-boat construction	2,500,000
Temporary loans for extraordinary affairs:	
Law no. 1 of 1904	239,000,000
Law no. 12 of 1905	66,000,000
Law no. 1 of 1905	12,750,000
Law no. 1 of 1906	55,500,000

Besides the above, it must be stated here that 15,253,358 *yen* of the temporary loan for the redemption of war notes was also a source of revenue for the Russo-Japanese War expenditures. This loan was necessary for the post-bellum redemption of the war notes issued in Manchuria during the war, and was the money borrowed from the Yokohama Specie Bank, which had charge in 1905 of the circulation and redemption of these war notes. This loan is not included or found in the Settled Accounts of the receipts and disbursements of the Special Account of the Extraordinary War Expenditures.

We may now refer to the financial resources for the armament expenditures in the last ten years. It must be noted that most of the armament expenditures belong to the disbursements from the General Account and that consequently no special explanations can be given regarding the corresponding sources of revenue. However, as it has been customary

in the case of specially large disbursements to express their financial resources in the budget estimates or in the government's financial schemes, we may give here the outline of these resources as follows:

In 1907, or the first year of the post-bellum financial scheme, there were, in both the army and the navy, not only many of the continued undertakings, either running from the previous years or transferred from the extraordinary Departmental Expenditures, but there were also not a few new expenditures started, such as for the construction of new warships, for the establishment of the Port Arthur naval station, expenses for garrisons in Manchuria, Korea, and Saghalien, adjustment expenses of the remaining works of the war, expenses for repairing arms, etc., increases in warship and torpedo-boat replenishing expenses, adjustment and equipment expenses, pensions and rewards, increases in Expenses for Military Affairs attendant on armament expansion, repairs, and furnishing of arms and implements for campaign use in connection with the adoption of the two-year system of infantry and the establishment of four additional divisions, and construction expenses of supplementary warships and torpedo boats. All these were continuing expenditures disbursed from the year 1907, amounting in total to 86,500,000 *yen*. For the financial resources corresponding to these new expenditures, no public loans were specially raised, but they were secured by continuing the extraordinary special taxes inaugurated during the war, and by transferring 100,000,000 *yen*, the surplus of the Special Account of Extraordinary War Expenditure, to the General Revenue Account. These resources served also for armament expenditures, and the result was that there still remained a certain surplus in the General Account. In 1908 a large deficit in the General Account was met, but as the market conditions then did not allow the raising of new public loans, additional funds were provided by increasing the taxes on liquors, the sugar excise and kerosene tax, and by raising the fixed prices of monopoly tobacco; and also by postponing various undertakings the equilibrium of receipts and disburse-

ments was planned. As the said deficit was caused principally by armament expenditures, it follows that the said increased taxation was caused by the armament requirements. Thus, with the gradual growth of the figures of the General Account the financial difficulties became greater and greater, and the government became convinced of its having gone too far in its post-bellum undertakings, so that in 1909 a policy of retrenchment was adopted and several undertakings were postponed. In this way surpluses in the General Account became more and more plentiful during and after 1910, enabling the government to ameliorate the taxation system and to effect extraordinary redemptions of public loans. In 1911, in spite of the fact that the four great continuing expenditures of the navy were consolidated in one item called the armament repletion expenditures, and thereby the armament scheme was expanded, no special revenue measures were necessary in that year. In both 1912 and 1913 the General Account continued to show surpluses and under easy circumstances could meet enormous expenditures for armament. However that may be, the superabundance of public loans and the continuation of the war-time taxes are the weak points in Japan's finances, and discussions regarding the redemption of loans and the reduction of taxes are becoming more and more frequent and important.

TABLE A.—BUDGET ESTIMATES OF EXTRAORDINARY WAR EXPENDITURES AND EXTRAORDINARY DEPARTMENTAL EXPENDITURES OF THE RUSSO-JAPANESE WAR[a]

Items	Amounts disbursed under Imperial Ordinance of December, 1903, for financial emergency measure	First budget estimates (1904)	Second budget estimates (1905)	Disbursements in December, 1905, in excess of estimates	Third budget estimates (1906)	Total
Disbursements:						
Extraordinary war expenditures	*Yen* 155,971,035	*Yen* 380,000,000	*Yen* 700,000,000	*Yen* 60,000,000	*Yen* 450,450,000	*Yen* 1,746,421,035
Extraordinary departmental expenditures	257,894	40,000,000	87,200,000	28,825,409	82,000,000	238,283,303
Total	156,228,930	420,000,000	787,200,000	88,825,409	532,450,000	1,984,704,339
Sources of Revenue:						
Receipts from increased taxation, etc.	....	62,201,879	150,671,023	....	....	212,872,902
Public loans, Exchequer Bonds, and temporary loans	131,228,929	280,000,000	571,000,000	60,000,000	513,643,242	1,555,872,171
Funds diverted from special accounts	25,000,000	30,000,000	8,000,000	4,000,000	....	67,000,000
Voluntary contributions to war fund	....	....	1,500,000	....	....	1,500,000
Miscellaneous receipts	....	....	500,000	....	....	500,000
General Account surplus	....	47,798,121	55,528,977	24,825,409	18,806,758	146,959,265
Total	156,228,929	420,000,000	787,200,000	88,825,409	532,450,000	1,984,704,339

[a] The receipts from increased taxation, etc., and the General Account surpluses are estimates obtained by careful calculation, so that they do not always agree with the amounts in the scheme which are given in round numbers. In the second and the third estimated amounts, the unused sources of revenue for the first estimated amounts were utilized, and hence one and the same source of revenue was often entered in the estimates for a second or third time.

TABLE B.—ARMY AND NAVY EXPENDITURES OF THE RUSSO-JAPANESE WAR

Army Department				Navy Department			
Items	Amount	Proportion of total war expenditures	Proportion of total army expenditures	Items	Amount	Proportion of total war expenditures	Proportion of total army expenditures
	Yen	*Per cent*	*Per cent*		*Yen*	*Per cent*	*Per cent*
Expenses of personnel:				Salaries and allowances	15,345,201	.94	6.62
Salaries and allowances	78,092,763	4.76	5.54	Office expenses	734,686	.04	.32
Wages	57,952,064	3.54	4.19	Traveling expenses	1,216,104	.07	.52
Traveling expenses	13,954,951	.85	.99	Sundries	482,104	.03	.21
Sundries	15,863	....	....	Special allowances	491,172	.03	.21
Expenses of material:				Provisions	7,905,450	.48	3.41
Horses	23,461,371	1.43	1.67	Clothing	5,469,789	.33	2.36
Arms	187,990,187	11.47	13.36	Ordnance and repairs	24,290,157	1.48	10.47
Clothing	183,949,642	11.22	13.07	Shipbuilding and repairs	27,124,868	1.65	11.69
Provisions	262,185,169	16.00	18.63	Patients	337,338	.02	.15
Stores	43,040,582	2.63	3.06	Naval stations and ports	1,450,833	.09	.63
Construction	73,028,333	4.45	5.19	Warship maintenance	40,219,722	2.45	17.34
Posts and telegraphs	1,586,191	.10	.11	Hydrographical expenses	73,343	....	.03
Transport	250,517,698	15.28	17.80	Building and repairs	5,829,640	.36	2.51
Maneuvers	1,801,482	.11	.13	Ships	20,329,626	1.24	8.76
Sick and wounded	9,070,024	.55	.64	Secret service	824,928	.05	.36
Sundries	9,671,717	.59	.69	Sundries	5,049,825	.31	2.18
Secret service	3,614,991	.23	.27	Purchase of warships	15,984,593	.97	6.89
Mobilization	3,167,595	.20	.23	Cost of establishing a briquette factory	1,048,002	.06	.45
Gratuities	160,168,137	9.77	11.38	Gratuities	8,733,151	.53	3.77
Losses	113,371	.01	.01	Losses	402,958	.02	.17
Hiroshima city cleaning	40,975	....	....	Expenses of enforcing sanitary regulations	55,997	....	.02
Bridge over the Yedogawa	21,700	....	....	Replenishing of warships and torpedo boats	48,464,326	2.96	20.89
Special contribution to grand festival of Yasukuni shrine	265,000	.02	.02	Expenses for triumphal celebrations	29,193	....	.01
War medals	801,560	.04	.05	Compilation of history of naval hygiene in the Russo-Japanese War	12,876	....	.01
				War medals	43,950	....	.02
Total	1,407,317,365	85.85	100.00	Total	231,949,829	14.15	100.00

CHAPTER VI

CONCLUSION

We may now recapitulate what we have stated in the last five chapters, and conclude by adding some statistical comments.

Since the Meiji Restoration there have been in all eleven occasions on which disbursements have been made as war expenditures, and the amounts expended were as follows:

Period	Number of wars	Expenditures
		Yen
First	5	14,188,291
Second	3	42,944,401
Third	2	277,011,139
Fourth	1	1,860,848,801
Total	11	2,194,992,632

This simple table shows us that, while the number of wars is decreasing, the expenditures required in one single war are enormously increasing. We may not determine the exact rate of this increase, but we may say that the increasing tendency in the cost of war is indisputably great.

Two comparative tables showing expenditures incurred in four wars, i. e., the Satsuma Rebellion, the Sino-Japanese War, the North China Disturbance, and the Russo-Japanese War, are given at the end of this chapter.[1] It seemed best to exclude the War of the Restoration from these tables, because the classification of the expenditures for this war was different from that for other wars; moreover, their total, as explained in the earlier pages, could not include the whole of the war expenditures.

We may enumerate five principal factors affecting the amount of war expenditures: (1) war preparations or the

[1] See *post*, pp. 116, 117.

development of armament in time of peace; (2) the number of soldiers engaged in the war; (3) the duration of the war; (4) the strength of the hostile forces; and (5) the extent and conditions of the scene of the hostilities. As minor factors, moreover, we may mention the prices of commodities, the management of accounts and supplies, the economic conditions in general, the degree of patriotic sentiment, and others too numerous to mention. These principal and minor factors must be taken into consideration in making a comparative study of the war expenditures, and the foregoing table furnishes no more than a basis for making a few investigations by comparing some of these causes with the amount of expenditures concerned.

In the above table we observe that the expenditures for the Russo-Japanese War are about forty times as great as those for the Satsuma Rebellion or the North China Disturbance, and more than eight times as great as those for the Sino-Japanese War. It is most interesting to observe how greatly the expenditures increased in each successive war. But considering the duration of the war, the extent of the scene of hostilities, and the military strength of both the belligerents, we may not only find the reasons for the greatness of the expenditures incurred in the Russo-Japanese War, but we may even learn that war on a large scale seems to involve proportionately less expenditure.

In the above table we have assembled the different items of expenditure, which are practically similar in the main, although their classification differed at various times and in the various departments. Except in the case of the Sino-Japanese War, the ratio between the Expenses for Military Affairs of the army and the navy (War Expenditures) and the various Relative or Departmental Expenses (expenses incurred in the departments other than those of the army and the navy) was 85 or 88 for the former to 15 or 12 for the latter. This shows that in mobilizing or working the army and the navy there must always be certain attendant disbursements in the general administrative branches.

If we compare the Expenses for Military Affairs of the army with those of the navy, we find a curious ratio. Though in the Satsuma Rebellion the smallness of the navy expenditures was due to the fact that the enemy had almost no navy, it is curious to note that in every war the army expenditures are from four to six times as great as the navy expenditures. Neither in the Sino-Japanese War nor in the Russo-Japanese War can we say that the army played a more important part than the navy, nor that Japan thought a great deal of the army and little of the navy; and yet the war expenditures were much lower on the side of the navy. Of course, in our calculation we have not taken into account in both the army and the navy the loss or gain of warships and arms, and we have computed only the disbursements from the Treasury; therefore, if Japan had suffered defeat, we may imagine that the loss might have been specially heavy on the part of the navy. Nevertheless, viewing the amount of expenditures only, we must conclude that there is always a great difference between the war expenditures required for the army and those required for the navy. The question is important, however, in making the preliminary estimates of war expenditures or in deciding national defense questions. It is at least safe to say that the principal factors responsible for such a difference between the two expenditures are (1) the number of combatants, (2) the means of transportation, and (3) the nature and quantity of munitions.

In every war we see that the greatest item of army expenditure has always been transportation; but in the navy this item is trifling, even if it is combined with the ship expenses. The greatest item next to transportation is that for arms and ammunition. As the latter forms a principal item in the army as well as in the navy, this and the former item may be called the accounts of foremost importance among the expenses for military affairs. Next to arms and ammunition come provisions and clothing, which are especially large amounts in the army and much smaller in the navy, the ratio being about twenty to one. Also, in the foregoing table the

expenses of personnel, such as salaries, wages, traveling expenses, and sundry allowances, were summed up as one item for the sake of convenience, and the sum total generally corresponds with the figures of provisions in the army and those of provisions and clothing in the navy. But this sum total in the case of the Satsuma Rebellion comes to a particularly large amount, owing to the fact, as explained before, that it included much of the wages in the actual nature of the transportation expenses. We may add that horses in the army and warships maintenance in the navy are all very important accounts, as also construction, building and repairs, secret service fund, mobilization expenses, and temporary rewards in the army, and hydrographic expenses, naval station and secondary naval station expenses, and warship and torpedo-boat replenishing expenses in the navy; but we need not indulge in any more general comment on these items.

Turning our attention to the armament expenditures, we shall first of all recapitulate their gross totals for the different epochs as follows:

ARMAMENT EXPENDITURES

Period	Army	Navy	Total
	Yen	*Yen*	*Yen*
First	53,754,154	14,995,808	68,749,962
Second	196,811,673	112,270,912	309,082,585
Third	435,967,757	383,362,142	819,329,899
Fourth	944,876,396	686,287,464	1,631,163,860
Grand total	1,631,409,980	1,196,916,326	2,828,326,306

From the above figures we can see clearly the wonderful consecutive increases in the armament expenditures. Generally speaking, they have steadily increased, rising slowly but surely from 1,600,000 *yen* in the first epoch to 10,320,000 *yen* in 1876. After the Satsuma Rebellion the rate of increase was about the same until the end of the second epoch, though a gradual acceleration is observable after 1883 or 1886. But in the third epoch, or after the Sino-Japanese War, the expend-

itures increased by leaps and bounds, as from 24,520,000 *yen* in 1895 to 106,760,000 *yen* in 1897. After this latter year the increasing tendency still continued for a few years, when in 1901, 1902 and 1903 there were decreases of from 20,000,000 to 30,000,000 *yen*. The huge increases above mentioned were merely the result of the working out of the post-bellum armament schemes on both land and sea after the Sino-Japanese War; but such extraordinary increases can not be found in any other portions of the national expenditures. We do not know whether or not armament expansion is always the inevitable result of a war in all countries, but in Japan we can not deny that it was the Sino-Japanese War that caused such a tremendous expansion of armament. In the armament expenditures in the war years of 1904 and 1905 there were considerable decreases, but these were due, as already explained, to the transfer of many of these expenditures to the account of war expenditures. In 1906 we saw for the second time an abnormal increase in the armament expenditures, which in that year exceeded 100,000,000 *yen*. This rapid rate of increase did not slacken in the following years, 1907 and 1908, producing an unprecedented amount of more than 200,000,000 *yen*. Looking into these armament expansions after the two great wars, we find that, comparing the ante-bellum armament expenditures (or those in 1893 and 1903) with the post-bellum armament expenditures (or those in 1898 and 1908), the annual increase after the Sino-Japanese War was about 93,000,000 *yen*, or five times as much as before the war, and the annual increase after the Russo-Japanese War was about 129,000,000 *yen*, or between two and three times as much as before the war. We therefore see that, though there was a large increase of armament expenditures after the Russo-Japanese War, the rate of increase was below that which followed the Sino-Japanese War. The highest record was 230,000,000 *yen*, reached in 1910, and though there were slight decreases thereafter, the annual amount of armament expenditures has ever since been not far from this highest record. If we compare this greatest annual record of

230,000,000 *yen* with the record of 10,000,000 *yen* in the first epoch, we find that the increase is twenty-three times; and comparing it with the record of 26,000,000 *yen* in the second epoch, we find that the increase is nine times; and compared with that of 113,000,000 *yen* of the third epoch, it is twice as much. It is indeed astonishing to see these great and continual increases in the armament expenditures.

From the foregoing explanations an idea may be formed of the proportionate increases of the army and the navy armament expenditures. Let us now see the ratio between the two expenditures in each of the four epochs. Taking the army armament expenditures as 100, the ratio of the navy armament expenditures was 27 in the first epoch, 57 in the second, 89 in the third, and 72 in the fourth. Calculating the whole of the navy armament expenditures spent from the Meiji Restoration to the present day, they amount to about 73 per cent of the whole of the army armament expenditures of the same period. At the present time this ratio continues to hold good. We can not clearly define on what principle of national defense such a ratio is maintained, nor can we possibly decide whether this country is a military power or a naval power in character; but from the standpoint of the money spent for both we may say that neither the army nor the navy was considered more important, as they have generally kept pace with each other, with only a slight advantage observable on the side of the army.

As for relative explanations of different items of armament expenditures in the different epochs, we shall here omit them for the sake of brevity; but regarding their details the reader is referred to the tables in the appendix. One thing, however, may be noted, and that is that the proportion of the ordinary and the extraordinary expenditures is very different in the navy armament and the army armament. In the former the ordinary expenditures are in most cases smaller than the extraordinary expenditures, while in the latter they are just the reverse. The reason for this is that in the army the principal items are clothing, provisions, horses, etc., which require constant

replacing, while in the navy the principal item is the construction of warships, which require large temporary expenditures. However that may be, the details of classifying the expenditures as ordinary and extraordinary are left chiefly to the technical convenience of the financial accountants; but if more scientifically taken, an item such as warship construction expenses may properly be classed as an ordinary expenditure, because it is in nature an item requiring a regular annual outlay for appropriate replenishment. Such being the case, little scientific value may be attached to what we have said above regarding the proportion of the ordinary and the extraordinary expenditures. It may be said that the principal items in the ordinary expenditures are the expenses for military affairs in a narrow sense, and that the principal items in the extraordinary expenditures are buildings and repairs and furnishing of arms and implements for campaign use in the army, and warship and torpedo-boat construction in the navy.

To say more about the armament expenditures, we must add a few words in regard to decoration annuities. These annuities are given to the recipients of the Order of the Rising Sun, established in 1877, and of the Order of the Golden Kite, established in 1894. As the former of these two orders may be bestowed on civilians who have rendered specially meritorious services, as well as on soldiers, this fact must be taken into consideration in including the corresponding amounts in the armament expenditures. However, the number of civil officials who are receiving these annuities of the Rising Sun Order is very small; and as their meritorious services were in most cases rendered in connection with war, the amounts of these annuities have been reckoned in the armament expenditures. As these decoration annuities are given in a lump sum and are not distinguishable as between the army and the navy, we have only for the sake of convenience reckoned them in the army armament expenditures. The decoration annuities prior to 1894 are those belonging to the Rising Sun Order, bestowed in connection with distinguished

services rendered in the Satsuma Rebellion and the Saga Insurrection. That their amounts suddenly increased in 1896 and in 1906 is of course a result of the Sino-Japanese War and the Russo-Japanese War. It is interesting to note that their latest figures are over 10,000,000 *yen* annually.

We have seen how great an amount is disbursed by the state for armament expenditures, and it forms an interesting subject of study, from the standpoint of politico-economic science, to compare this amount with other expenditures in the country's General Revenue Account. Prior to the year 1877 we find that the proportion of the armament expenditures in the General Account never exceeded 19 per cent of the total, but it gradually increased thereafter until it reached the climax of 51 per cent in the year 1898. Then it gradually decreased until it came to amount to about 36 or 37 per cent (excepting the war years of 1904–5). The percentages of armament expenditures against the total General Account expenditures at different epochs (excepting the war years of 1894–95 and 1904–5) are 18 per cent in the first epoch, 24 per cent in the second epoch, 37 per cent in the third epoch, and 34 per cent in the fourth epoch. It may be said that the present proportion of armament expenditures as compared with the total General Account expenditures is about 35 per cent annually. The annual increase of public expenditures in recent years is a phenomenon common to all countries of the world, and it is scientifically a settled opinion that the increase of armament expenditures should be counted as the chief cause of the general expansion. The same is of course true in the case of Japan, and as the armament expenditures occupy so important a position in the General Account, and as also the increases and decreases of armament expenditures are so closely related to those of the total annual expenditures, we may say that the increase in armament expenditures is the greatest reason of the expansion of our annual expenditures.

In our explanation regarding the comparative position or importance of armament expenditures in the total annual

expenditures, we have excluded from our consideration not only the war expenditures but also the debt charges incident to war loans and armament loans. As stated in our Introduction, we are of the opinion that the interest on war and armament loans must be included in armament expenditures. This interest may be calculated at from 75,000 to 925,000 *yen* annually in the second epoch, at about 10,000,000 *yen* annually in the third epoch, and from 35,000,000 to 65,000,000 *yen* annually in the fourth epoch; and if we include these amounts in the armament expenditures, a considerable difference will surely be seen in the latter's annual total figures and percentages against the total annual expenditures.

Forty-six years have elapsed since Japan was opened to foreign intercourse. The basis of national wealth and military strength has now been established, and the glory of the Empire has already been spread abroad. As we look back upon the history of this national growth, we may say that we have passed through many years full of great events both at home and abroad. Thanks to our constant and zealous application to the task of completing our armament, and also to our having achieved splendid results in each of the many wars, the country has been enabled to enjoy the opportunity of diligently endeavoring to equip herself with all the paraphernalia of modern civilization. However, considering the fact that the grand total of the expenditures for armament and war amounts to 5,023,318,438 *yen*, we can not but feel that it was no easy matter for us to join the great Powers and acquire the same rights as they. If the latest annual armament expenditures are apportioned to the population of the country (census of 1910), the annual rate per capita becomes 4 *yen*. This rate concerns only the expenditures made by the government; and if we consider the other burdens of the whole nation in connection with armament, such as the national duty of military service and the incidental expenses incurred by public and social bodies, the figures representing these charges will be far above the figures

of the armament expenditures. It is hard to decide whether armament is necessary for war or war is caused by expansion of armament; or whether war is necessary to bring about peace or peace is secured by armament. But at any rate, it is certain that the armament and the war expenditures are the greatest burdens of the state.

PART II

ECONOMIC EFFECTS OF EXPENDITURES FOR WAR AND ARMAMENT

PART II

ECONOMIC EFFECTS OF EXPENDITURES FOR WAR AND ARMAMENT

CHAPTER I

INTRODUCTION

The national economy, in its true character, is a great mechanism or organic combination of the various economic bodies in society, and any change brought about in any one of its parts will have an effect on another part, the influence of which will gradually spread to all the other parts. Thus, the law of cause and effect is continually working in the field of national economy. As the state itself is the greatest factor in the national economy. the economic achievement of a state must in most cases produce the greatest change in its financial condition. As already set forth in Part I of this volume, the war and armament expenditures of Japan in the past forty-six years have always occupied the most important position in the state finance, and it is unnecessary to say that the effects of these expenditures on the national economy have been very great. However, it is by no means an easy task to determine the relationship and importance of these effects, which are so varied and wide that they are often vague and difficult to discern. The reason for this may be traced to the methods employed in gathering and dispersing the funds for these expenditures. While their financial resources are variously sought in the present income of the nation, in the wealth or capital accumulated in the past, and in the future financial obligations incurred in the form of loans, the purposes of their disbursements are also varied, some being made for purchasing home products or for payments to foreign countries, and others for making materials destined only to be consumed in the smoke of battle on both land and sea.

As the economic effects in question are so complicated, it is necessary for us to limit the sphere of our present treatise. In the following pages we shall not undertake to deal with all the relations of war and armament to the national economy, but

shall merely endeavor to set forth in what manner the expenditures for war and armament affect the national economy. For instance, the economic effects of the acquisition and administration of colonies, or of the development of war industries, or of the enforcement of the conscription system must be excluded from the scope of our present inquiry, though each forms an important subject of investigation in the history of the economic effects of war and armament. Furthermore, we have here to confine ourselves to those economic effects of war and armament expenditures which are in their nature more direct and important, and in which the relations between cause and effect are more clearly defined.

It is needless to say that the most direct economic effects of war and armament expenditures lie in the field of the state finance, because these expenditures themselves form part thereof. According to our definition, therefore, the increase or decrease of these expenditures must mean the expansion or contraction of the state finance. Both are closely connected, and for that reason we begin with the effects on the state finance in the next chapter.

Next to state finance, the money market of the country is most directly affected by the expenditures for war and armament. In the modern economic system the production, consumption, and distribution of goods are all affected by, and change in consonance with, the changes in the money circulation. If the state, as the greatest factor in the national economy, receives and disburses large sums of money, the money market of the country is necessarily tightened or slackened thereby; and this influence, in turn, will produce innumerable effects in various other fields of the national economy. For this reason we deal in Chapter III with the effects on the money market.

As regards the effects of war and armament expenditures in the other fields of the national economy, viz., production, communications, consumption, distribution, social life, movement of the population, etc., we find to our regret that it is extremely difficult to ascertain and explain them definitely,

for the reason that these effects are closely bound up, in irregular complexity, with many causes other than the expenditures in question. Our explanations in this connection must therefore be of comparatively limited dimensions. Of course, it would be an easy matter for us to describe fully the bare facts in war times in the fields above enumerated or to give their history in the past; but that would be rather beyond the scope of the present investigation. We say that our explanations in these fields are necessarily limited, because we are going to dwell only upon the places where the relations of cause and effect are specially notable. But the reader must not assume that, because our explanations are limited, the effects in these fields of the national economy are also limited or unimportant. Students of economic phenomena are all aware that many effects very often exist where the causes are not direct and apparent; and the same must apply to the economic effects of war and armament expenditures. Accordingly, we must rely upon the reader's ability to discern the truth in those cases where these expenditures form the causes, though indirectly and obscurely, of some extensive economic effects which are not dealt with in this volume.

CHAPTER II

EFFECTS ON THE STATE FINANCE

In dealing with the effects of war and armament expenditures on the state finance, it is convenient to adopt the common classification of subjects employed in financial science, viz., revenues, expenditures, and public loans. But the revenues are treated in another volume, entitled *War and Armament Taxes of Japan*, by Ushisaburo Kobayashi; the expenditures have already been treated in Part I of this volume; and the public loans are treated in *War and Armanent Loans of Japan*, by Ushisaburo Kobayashi, which constitutes another volume of this series. What remains to be supplied here, accordingly, is a general explanation of how the above three financial subjects are combined or related to one another.

From the Restoration War to the Satsuma Rebellion

We have already observed that at the very beginning of the Meiji Government the national finances were so disorganized and straitened that there were no available means of obtaining the necessary war funds other than those of raising compulsory loans from the wealthy classes and issuing inconvertible notes. Immediately after the Restoration, the government had established its five fundamental policies, viz., (1) adjustment of the administrative organs, (2) creation of the army and the navy, (3) consolidation of the debts of the former clans, (4) settlement of capitalized pensions, and (5) encouragement of industries. For the carrying out of this program large sums of money were required, and in order to meet the financial requirements the government began steadily (a) to enforce the paper currency policy, (b) to create the taxation system, and (c) to raise public loans. Let us now give brief outlines of these three subjects:

(*a*) *Enforcement of the paper currency policy.*—In order to meet the emergency of supplying funds for the War of the Restoration, the government issued official paper currency. The first issued was the Dajōkan-satsu, or notes of Dajōkan (State Council), which were purely inconvertible notes to be withdrawn from circulation by the year 1880. These notes were issued to the amount of 48,000,000 *yen* in the years of 1868 and 1869, but the people did not like to use them because of their sad experiences with the various kinds of paper money issued by the clan governments; and in spite of various attempts on the part of the Imperial Government to secure credit, differences in the value of paper and of specie became unavoidable. Subsequently, the government issued the Mimbusho-satsu to the amount of 7,500,000 *yen*. These were notes issued by the Home Department, and were in nature the same as the Dajōkan-satsu. In October, 1871, Ōkurasho Dakan Shoken (convertible treasury bills) were issued, and in January, 1872, the convertible bills of the Kaitakushi (Colonial Government of Hokkaido) were also issued, the two together amounting to 9,300,000 *yen*. The aggregate total of the paper notes now reached 64,800,000 *yen*. The government, seeing the inconvenience of having so many kinds of paper notes in circulation, proceeded to reduce them to one uniform kind by issuing during and after 1875 the so-called "new paper money" in exchange for the four kinds of paper notes above mentioned. This adjustment was completed by the year 1879. However, this new paper money was secretly overissued in order to supply a large deficit in the government revenue, so that before a large additional amount of the same was issued as a means of providing funds for the Satsuma Rebellion there was already being engendered a future trouble regarding the overissue of paper notes.

(*b*) *Creation of the taxation system.*—When the Meiji Government acquired sovereign power, its right of collecting taxes was yet hardly established and its revenue consisted solely of the funds derived from the confiscation of the feudatory fiefs. Although the land tax at that time did not exceed that for only

one-eighth of the total crop of rice obtained from the fiefs in the whole country, still the old method of tax collection was chiefly followed. This explains why the tax revenue in 1868 or 1869 amounted to only three or four million *yen*. Though in June, 1869, the Imperial sanction for the restoration of the clan census to the government was obtained, it was as yet impossible to effect a unification of the taxation system throughout the country. Each clan continued to pursue the old usages in tax collection and to pay one-tenth of its income of rice into the National Treasury. At last, in 1871, the abolition of clans and the establishment of prefectures rendered practicable the adoption of a uniform system of taxation throughout the country. A great reform in the land tax was now resolutely carried out, by which the former standard of taxation based on the amount of rice crop was altered to that based on the value of land, and the method of paying taxes in rice was abolished and replaced by that of paying them in money. An appraisal of land for taxation was made over the whole country, and the establishment of a rate of 3 per cent on the value of land produced an annual revenue of about 50,000,000 *yen*. In 1875 the *sake* taxes were reformed and classified into a tax for *sake* brewing, a license for *sake* brewing, and a tax on retail sales of *sake*, yielding the government an annual revenue of some 3,000,000 *yen*. A further annual revenue of about 4,000,000 *yen* was also procured in the same year by adjusting the sundry taxes on shooting, vehicles, vessels, stamps, patent medicines, and mining.

(*c*) *Public loans*.—The Meiji Government, besides issuing paper money, as above stated, to make good the deficit in its revenue, raised five public loans, as follows:

1. Nine per cent foreign loan.—These bonds were issued to the amount of £1,000,000 in London in April, 1870, and the net proceeds, amounting to 4,782,400 *yen*, were used for the building of railways.

2. Seven per cent foreign loan.—These bonds were issued in London in February, 1872, for the purpose of purchasing the pensions given to the *Shizoku* (gentry), after the abolition of

feudalism, in order to enable them to procure funds for engaging in business pursuits. This loan was to mature in twenty-five years, and its net proceeds amounted to 10,833,600 *yen*.

3. New and old public loans.—When feudalism was entirely swept away in 1871, all the debts of the former clans were transferred to the state. The 4 per cent new public loan bonds, redeemable in twenty-two years, were allotted to the debts contracted by each clan between 1868 and 1871, and the non-interest-bearing old public loan bonds, redeemable in fifty years, to those contracted between 1844 and 1868; the former amounted to 10,972,725 *yen* and the latter to 12,422,825 *yen*.

4. Paper money exchange loan.—These bonds were issued for the purpose of withdrawing various kinds of government paper money temporarily issued at the time of the Restoration, such as the Dajōkan-satsu, Mimbusho-satsu, etc., and were exchangeable at par with the new paper money on the demand of the holders. They were redeemable in fifteen years, but the rate of interest was so low that there was little demand for the exchange. The actual issue, therefore, amounted to only 6,669,250 *yen*.

5. Voluntarily capitalized pension bonds.—These bonds were issued after the abolition of feudalism for granting some relief to the *Shizoku* (gentry) and *Sotsu* (common soldiers) who had voluntarily surrendered their pensions, in order to enable them to procure funds for engaging in business pursuits. They bore interest at 8 per cent and were redeemable by drawings for a period of seven years after the lapse of three years, during which they were to remain unpaid. The total amount of these bonds was 16,565,800 *yen*.

We now see that the total issue of these public loans was 63,222,600 *yen*, and that the net proceeds amounted to 62,241,-950 *yen*. These figures are by no means large as compared with the total annual revenue of 350,000,000 *yen* in the epoch now under review, and it must be remembered that almost all of these loans had been occasioned by the reorganization of national institutions and the adjustment of the state finances, and that they had no direct relations with war and armament

expenditures. The position of war and armament expenditures in the state finance in the early part of the Meiji Era was but trifling as compared with that in after years. Even the largest of war expenditures, those for the War of the Restoration, amounted to only 8,908,000 *yen*. But in those days, when the national life of Japan was undergoing radical changes and the government was in greatly straitened circumstances, it was inevitable that even for comparatively small war and armament expenditures debts were often contracted through the issue of inconvertible notes. In after years these notes brought about unlooked-for calamities in the national economy, especially in the money market; and though such calamities were indeed unavoidable, it is deplorable that the economic development of this country was thus checked at the very beginning.

From the Satsuma Rebellion to the Sino-Japanese War

In the seventeen years from 1877 to 1893 the finances of Japan benefited by a process of peaceful adjustment. In this period the national economy was for the first time systematically organized; where it had formerly lacked definite scheme and order, it now received more careful attention and was put on the right track. After 1873, when matters of state finance were for the first time made public, various rules and regulations concerning the Annual Account were gradually developed. In 1878 regulations for the auditing of the annual accounts were enacted, and in 1881 the regulations for the receipts and disbursements of money and grain were adjusted and unified by the passage of a new financial law. In 1882 the aforesaid auditing regulations and the financial law were revised and improved, and in 1883 the handling of the National Treasury funds was entrusted to the Bank of Japan. In 1889, with the promulgation of the Constitution, an elaborately revised financial law was issued, and with Japan's becoming a constitutional country in that year the mode of keeping the Annual Account was made to follow modern scientific methods.

The financial measures taken by the government during the epoch under review began with the settlement of the expenditures for the Satsuma Rebellion.

The Satsuma Rebellion was the greatest war after the Restoration and involved an expenditure of more than 40,000,000 *yen*. It is natural, therefore, that the finances of the country after the Satsuma Rebellion changed, as shown in the following table comparing the annual expenditures of 1879 with those of 1876:

ANNUAL EXPENDITURES BEFORE AND AFTER THE SATSUMA REBELLION

Items	Amount expended 1876	Amount expended 1879	Increase or decrease
Ordinary expenditures:	*Yen*	*Yen*	*Yen*
Redemption of national loans	1,941,638	5,834,375	+ 3,892,737
Interest on national loans	3,009,159	15,915,278	+12,906,119
Imperial household expenses	827,500	1,013,726	+ 186,226
Annuities and pensions	17,629,552	584,403	−17,045,149
Various government departments, Colonial Government of Hokkaido, and other administrative expenses	25,771,703	21,686,700	− 4,085,003
Making good the deficit in the capital of private enterprises (mining, export trade, etc.)	....	167,658	+ 167,658
Prefectural expenses	3,709,339	4,405,676	+ 696,337
Police expenses	2,081,204	2,629,566	+ 548,362
Expenses for shrines	198,261	125,480	− 72,781
Building, repairing, and civil engineering expenses in the prefecture	1,539,615	1,996,721	+ 457,106
Subsidies to the Famine Relief Fund	....	845,958	+ 845,958
Total	56,707,971	55,205,541	− 1,502,430
Extraordinary expenditures:			
Industrial enterprises	....	1,325,696	+ 1,325,696
Sundry expenditures	2,600,986	3,786,343	+ 1,185,357
Total	2,600,986	5,112,039	+ 2,511,053
Grand total	59,308,957	60,317,580	+ 1,008,623

From the above table we see that the increase in expenditure after the Satsuma Rebellion was not very great, and this is of course due to the fact that this war did not cause an immediate necessity of expanding the army and navy. Seeing

that there was a decrease of some 4,000,000 *yen* in the expenses for government departments, Colonial Government of Hokkaido, etc., we may also note how the administrative affairs were generally curtailed. The items in which the figures were considerably increased were those concerning national loans. In their redemption there was an increase of about 3,900,000 *yen*, which was due to the disbursement of 2,200,000 *yen* for the withdrawal of paper money and of 1,700,000 *yen* for the redemption of domestic loans. This withdrawal of paper money was made in connection with the notes issued for the war expenditures of the Satsuma Rebellion. The increase of 13,000,000 *yen* in the interest on national loans was owing to the increase of bonds, such as the Hereditary Pension Bonds and other loans, and the decrease of 17,000,000 *yen* in the annuities and pensions was a result of their conversion into such pension bonds. As the government finance did not undergo any considerable change after the Satsuma Rebellion, it may seem that the war expenditures of the Satsuma Rebellion did not influence it to any great extent. But considering the fact that these expenditures were met by means of paper money and loans, we may reasonably conclude that the Satsuma Rebellion expenditures did cause heavy burdens in after years; because, though the redemption of paper money had not yet proved to be a serious burden in 1879, it gradually became more and more burdensome as time went on. We shall also see in the following chapter how greatly the money market of this country was affected by the burdens of the paper money and the loans. Turning to the administrative expenditures and to the armament expenditures, it is interesting to observe that the former did not generally increase and the latter did not undergo any noticeable expansion, quite unlike what happened in the later years subsequent to the Sino-Japanese or the Russo-Japanese War. It will be noted that the Imperial Government was so sorely pressed by the need of money to defray its manifold expenses that its finances almost lost elasticity; and however urgent was the increase of administrative expenditures and armament expenditures, the govern-

ment lacked sufficient power to cope with it. In other words, the reason that there was no post-bellum expansion of finances at the time was because it was impossible and not because it was unnecessary.

Under these circumstances the government had first of all to settle a very important question, namely, the adjustment of paper money. Prior to this, it had seen the necessity of unifying the paper currency and had issued new paper money for the purpose; and being anxious to maintain its price, it had established a conversion fund for the notes issued. It was thus able to see its way clear toward the redemption of the paper money issued after the War of the Restoration. But the government, bewildered by the readiness of its circulation, forgot the necessity of redeeming it, and was caught by the erroneous notion that capital and currency were interchangeable terms and that an abundance of paper money was very important to the progress of industries. Such being the condition at the time, during the Satsuma Rebellion the government determinedly carried out the increased issue of inconvertible notes to the amount of 27,000,000 *yen*, besides borrowing bank notes to the enormous amount of 25,000,000 *yen*. The amount of government paper money in circulation exceeded 100,000,000 *yen* before the Satsuma Rebellion, and was increased to 165,000,000 *yen* at the end of 1878, was 164,000,000 *yen* at the end of 1879 and 170,000,000 *yen* in January, 1880. Unless so large an amount of paper money was by some means redeemed, the government could not, of course, issue any more. In view of this fact, a plan for redeeming the whole in twenty-eight years was made out in 1878, in which year 7,600,000 *yen* was first redeemed, and in each of the years 1879 and 1880 2,000,000 *yen* was redeemed. But being distressed to find financial resources for such redemption, the government revised the tax regulations for *sake* brewing in 1880, diminished the expenditures allotted to various government departments, caused the greater part of local expenses to be borne by local taxes, and abolished various government enterprises; and by these means it was at last able to redeem

7,000,000 *yen* in 1881. But such makeshifts and slow measures were quite inadequate for the quick attainment of the object in view. A decisive step was at length taken in October, 1881, when it was determined to redeem at least 7,000,000 *yen* every year, and a special reserve fund of 55,790,000 *yen* was created to be utilized for the purpose of accumulating specie. The execution of this plan of adjusting the disordered state of paper money was accompanied by extraordinary difficulties; but by various means, such as by inaugurating a stamp duty on patent medicines, taxes on stock-exchange brokers, or by increasing the taxes on *sake* and tobacco, and by devoting all the revenue obtained from these sources to the redemption of paper money, and also by introducing extreme economies in the Annual Account, the government at last succeeded in redeeming 13,640,000 *yen* of paper money up to the year 1885, and was also able to carry forward 26,460,000 *yen* into the General Reserve Fund. The amount of specie on hand rose as high as 42,000,000 *yen*. In January, 1886, the government was able to commence the conversion of paper money into silver coin through the mediation of the Bank of Japan. In July, 1888, regulations governing convertible notes were enacted, and the object of adjusting paper money was at last attained. What we have been trying to point out is that in the straitened financial circumstances at this period every other enterprise was sacrificed for the sake of attaining the object of adjusting the paper money, and that this great work was principally necessitated and caused by the war expenditures of the Satsuma Rebellion. The reason for this is obvious if we consider the fact that, when the paper money in circulation reached the most enormous amount, as much as one-third of it was the paper money put into circulation on account of the war expenditures for the Satsuma Rebellion.

In this way the great financial problem after the Satsuma Rebellion was solved, and then by gradually effecting other financial improvements in various fields until the year 1893, or the year before the outbreak of the Sino-Japanese War, the government was able to make its finances follow the right path.

Let us now try to explain briefly some of these improvements in connection with the taxation system and with the national loans. Among the former we may mention the special revision of the land tax, the creation of an income tax, and the enactment of a National Tax Collection Law. The so-called special revision of the land tax means the revision of the land tax regulations and partial revision of land values made in the years 1880, 1885, 1887, and 1889, by which the great question of perfecting the land tax law existing since 1873 was settled. The creation of an income tax in 1887 remedied the defect in the taxation system lying in the inequality of national burdens, as there existed formerly no taxes of importance other than those on land and *sake*. This income tax was levied on a graduated scale at the rate of from 1 to 3 per cent on persons whose income from property or from earnings exceeded 300 *yen*. The annual revenue derived therefrom was about 1,000,000 *yen*, but it did not exceed 1,230,000 *yen* in the year 1893. By the aforesaid National Tax Collection Law various former methods of tax collection were unified, and cities, towns, and villages were made the chief tax-collecting organs. With regard to the fiscal improvements made in connection with the national loans, we may mention the issuance of the Consolidated Public Loan in and after 1886. To arrive at our explanation of this Consolidated Loan, we must enumerate as follows the loans that were existing after the year 1877:

1. Hereditary Pension Bonds.—The government, being convinced of the sluggishness of settling the capitalized pensions with the voluntarily capitalized pension bonds, took the decided step of exchanging all at once the hereditary pensions and the pensions for merit for public loan bonds called the Hereditary Pension Bonds. These were issued chiefly in 1878 in four series of 5, 6, 7, and 10 per cent, in conformity with the amount and nature of the pensions, and the total amounted to 174,153,000 *yen*.

2. Pro-rata Pension Bonds for the "Shinto" Priests.—These were issued for the purpose of granting relief to "Shinto" priests, who, being deprived of their profession in consequence

of the reforms of the institution of "Shinto," found themselves without means of livelihood. They were issued in 1879 and amounted to 334,500 *yen*.

3. Industrial Enterprises Loan.—This loan was raised at home to the amount of 12,000,000 *yen* with a view to improving the means of transportation and encouraging industries, agriculture, etc., in the whole country. This loan was the forerunner of the industrial loans in this country and the pioneer of the loans raised from the general public.

4. Nakasendo Railway Loan.—As the name indicates, this loan was raised for the purpose of constructing the Nakasendo Railway, and the bonds were issued in three instalments from 1884 to 1885, amounting in all to 20,000,000 *yen*.

5. Unregistered "Kin-satsu" Exchange Loan.—These bonds were issued as a means for withdrawing paper money and were exchangeable at par with the paper on the demand of the holders. They bore 6 per cent interest and totaled 7,929,900 *yen*.

6. Navy Loan.—According to the naval expansion scheme of 1883, the government was to spend 26,640,000 *yen* in all during eight years; but when only 9,900,000 *yen* had been disbursed up to the year 1885, the financial sources for these expenditures ran short, and it was decided to raise this loan for the purpose. They were 5 per cent bonds amounting to 17,000,000 *yen* and were issued in four instalments. The result of the flotation was successful and the proceeds amounted to more than 17,200,000 *yen*. This was the only military loan raised in this period, and it was the first time that funds for armament expenditures were obtained by means of public loans.

7. Supplementary Railway Loan.—This was raised in January, 1889, for supplementing expenses for railway construction and amounted to 2,000,000 *yen*.

8. Consolidated Public Loan.—The rate of interest of the foregoing loans was mostly over 6 per cent, which was much above the current market rate of from 3 to 4 per cent. Moreover, as these loans were not to be redeemed freely and with-

out restriction, they considerably hampered our finance; and also as they were registered and not made out "to bearer," they were unfit for the requirements of the times when the utilization of securities was growing up. Stimulated by its success in settling the question of paper money adjustment, which had been pending since the Satsuma Rebellion, the government now thought of consolidating these national loans. Therefore, a scheme was formed in 1886 for issuing 5 per cent loans to the amount of 120,000,000 *yen*, which were called the Consolidated Public Loan. There were three modes of issuing these bonds, viz., the ordinary issue, the extraordinary special issue, and the issue in exchange with other bonds. By the ordinary issue these loans were floated on the home market in five instalments from October, 1886, to July, 1892, to the total amount of 30,204,000 *yen*. By the extraordinary special issue the conversion of the internal debts was effected through utilizing a surplus in the Treasury, and the conversion amounted to more than 19,000,000 *yen* by the year 1897. By the issue in exchange with other bonds was meant the delivery of these Consolidated Public Loan bonds in place of the payment in cash for the redeemed loans, and this kind of bonds reached 112,858,000 *yen*. In 1893 the exchange of the internal loans with the Consolidated Loans was completed. The object of consolidating the public loans was finally attained by the repayment in May, 1897, of the fund borrowed on account of the expenditures for the Satsuma Rebellion.

In summary we may say that after the year 1886 the result of adjusting public loans was conspicuous, and side by side with the improvements made in the taxation system, as already mentioned, the state finance was gradually put on a sound basis. But this was twenty years after the Restoration, and had it not been for the unfortunate Satsuma Rebellion such an amelioration of the financial condition of the government would surely have taken place a few years or even a decade earlier. A comparison of the Annual Accounts during seventeen years (1877–1893) does not show so considerable an increase annually, both in the revenue and in the expenditure,

as in recent years. The amount of national loans underwent no great increase, rising only from the annual balance of 226,800,000 *yen* at the end of 1877 to that of 234,000,000 *yen* at the end of 1892. The ratio between the amounts of administrative expenses, debt charges, and expenses for military affairs remained almost the same. Though the national progress seemed thus very slow during this period, greater activity set in after the year 1887 in various quarters of administrative affairs, as schemes for many new enterprises gradually came under contemplation. After the establishment of the Imperial Diet, however, there were such frequent collisions between the government and the Diet that the expansion of the Annual Accounts was considerably hindered thereby.

From the Sino-Japanese War to the Russo-Japanese War

The Sino-Japanese War was an epoch-making event in the history of the Meiji Era, affecting all phases of the national life, not excepting the government finance. A comparison of the Settled Accounts of annual expenditure before and after the war is shown on the following page.

As indicated, the Settled Accounts for the year 1897 show an increase of two and a half times in the annual expenditure, as compared with the year 1893. This rate of increase was unprecedentedly great, and the expansion of expenditure may be said to have been of a revolutionary nature. This rapid rate of increase was not limited to the year 1897, but continued for a few years thereafter. From the figures given it may be noted that the increase was greater in the extraordinary expenditures than in the ordinary expenditures, that the increase was most considerable in the Departments of the Navy, the Army, Communications, and Finance in the extraordinary part, and in the Army Department in the ordinary part; and also that there was a large increase of about 10,000,000 *yen* in the debt charges.

Such a sudden increase of the expenditures may be attrib-

ANNUAL EXPENDITURES BEFORE AND AFTER THE SINO-JAPANESE WAR[a]

Items	Amount expended 1893	Amount expended 1897	Increase
Ordinary expenditures:	*Yen*	*Yen*	*Yen*
Imperial household expenses	3,000,000	3,000,000	....
Debt charges	19,455,918	29,504,731	10,048,813
Annuities and pensions	1,454,666	3,661,704	2,207,038
Department of Foreign Affairs	623,982	1,445,849	821,867
Department of Home Affairs	7,662,106	8,262,075	599,969
Finance Department	4,004,684	6,006,979	2,002,295
War Department	12,419,829	28,746,263	16,326,434
Navy Department	5,141,475	9,543,889	4,402,414
Department of Justice	3,451,911	3,543,489	91,578
Department of Education	932,562	1,985,729	1,053,167
Department of Agriculture and Commerce	928,942	1,364,923	435,981
Department of Communications	5,469,524	10,629,496	5,159,972
Total	64,545,599	107,695,127	43,149,528
Extraordinary expenditures:			
Department of Foreign Affairs	19,265	118,460	99,195
Department of Home Affairs	11,465,283	19,556,088	8,090,805
Finance Department	1,185,170	10,224,769	9,039,599
War Department	2,301,397	31,401,725	29,100,328
Navy Department	2,959,446	40,850,645	37,891,199
Department of Justice	75,561	215,016	139,455
Department of Education	135,240	629,870	491,630
Department of Agriculture and Commerce	493,177	1,514,188	1,021,011
Department of Communications	1,401,734	11,475,956	10,074,222
Total	20,036,273	115,983,717	95,947,444
Grand total	84,581,872	223,678,844	139,096,972

[a] The expenditures of the War and the Navy Departments do not correspond with the figures of the armament expenditures mentioned in Part I of this volume, because the decoration annuities and other rewards do not come under the jurisdiction of these departments.

uted to the post-bellum administrative expansion and the increase of national loans caused by the war. The administrative program made out subsequent to the Sino-Japanese War was unparalleled in extent. Besides the enlargement of the army and navy, numerous other schemes were set on foot, such as the establishment of metal-refining works, the construction and improvement of railways, the expansion of telegraphs, telephones, and navigation, the establishment of the Kyoto Imperial University, the Second Higher Normal

School, the Second Higher Commercial School, the Sixth Higher School, the Higher Industrial School, and the Higher Agricultural and Dendrological School, the founding of the Hypothec Bank of Japan, the Bank of Formosa, and the Hokkaido Colonization Bank, and various other plans concerning the administration of Formosa, the encouragement of agriculture, industry and commerce, and river improvements. All these schemes had as their object the completion of the national power and the development of industries, and the expenditure involved in them was enormous. Let us now consider the importance of the armament expenditures in this huge post-bellum program by enumerating the various expenditures required in the new schemes by referring to the budget explanations for the various fiscal years concerned:

	Yen
1. Armament expansion:	
(a) Army—total of the first, the second, and the supplementary expansions	101,591,217
(b) Navy—expansions decided upon in 1896 and 1899, the expansion scheme made in 1903 being excepted because most of the expenditures therefor were to be made during and after 1904	211,650,116
Total	313,241,333
2. Construction and enlargement of refineries	19,202,694
3. Construction and improvement of railways	61,469,000
(The so-called First Period Railway Construction Expenditures, amounting in all to 59,921,663 *yen*, were mostly to be defrayed after the Sino-Japanese War, or in 16 years during and after 1893; but as they can not be included in the post-bellum program, we have only given the above figures, which represent the expenditures for the new post-bellum schemes supplementary to the said First Period Railway Construction Expenditures.)	
4. Extension of telephones and telegraphs	13,507,000
5. River improvements	19,357,000
6. Extension of educational work	2,075,000
(Annual subsidy for primary schools)	1,000,000
7. Colonization of Hokkaido	19,740,000
(These are chiefly railway construction expenses.)	
8. Harbor-works subsidies	7,660,000
9. Navigation subsidies.	
(In 1896 the regulations for Navigation Encouragement Expenditure, the Navigation Subsidy Law, and the Shipbuilding Encouragement Expenditure were revised, and the amounts allowed according to the new system gradually increased from 1,200 000 *yen* in 1897 to 5 000,000 *yen* each in 1902 and 1903.)	
10. Annual subsidy for Formosan railways	175,000
11. Special Forestry Working Expenses	6,000,000
(Disbursements from 1899 to 1903.)	

	Yen
12. Aids to the special account of Formosa (Disbursements from 18 7 to 1 05.)	50,000,000
13. Assigned to the Imperial property	20,000,000
14. Replenishing fund for warships and torpedo boats Natural calamity emergency fund Educational work fund	50,000,000
15. Other works: The chief of these are prison expenses defrayed out of the National Treasury (annual outlay estimated at not less than 3,000,000 *yen*), subsidy for water works (about 870,000 *yen*), etc., the other minor items being the expenses for the establishment of the experimental breeding farm for the improvement of oxen, etc.	

Heavy expenditures were necessarily required for the post-bellum program made out on so large a scale, and it was but natural that the Annual Account was thereby made to expand suddenly. However, the fact must not be overlooked that the rate of increase of armament expenditures was quite disproportionate in comparison with other items of expenditure; that is to say, the expenditures for armament expansion rose to 313,000,000 *yen*, and if we add to this the expenses for the establishment of the iron foundry, the total exceeds 330,000,000 *yen*. This enormous amount was really more than twice the aggregate total of the expenditures of all the other new schemes, including their continuing expenditures, to be disbursed annually until 1903.

Another thing which must be noticed as an effect of the war and armament expenditures on the Annual Account is the increase of the debt charges after the Sino-Japanese War. The amount of the national loans, which totaled 234,814,000 *yen* at the end of 1893, suddenly increased after the war and became 382,953,000 *yen* at the end of 1897, and further increased to 538,962,000 *yen* at the end of 1903. The corresponding increases in the debt charges during said decade were from 19,455,000 *yen* to 29,504,000 *yen* and to 36,484,000 *yen*. These increases in the national loans and debt charges were principally caused by the war loans raised on account of the Sino-Japanese War, which amounted to 117,000,000 *yen*, their annual interest accruing to as much as 6,200,000 *yen*. We have already seen, in the comparative annual percentages of the debt charges and administrative expendi-

tures appended to the Conclusion of Part I of this volume, that the debt charges increased, either absolutely or proportionately, during and after 1897; and this may be explained by the fact that, in spite of the considerable increase of the administrative expenditures generally, it was yet below that of the debt charges caused by the increase of the war loans.

As the result of such financial expansion after the Sino-Japanese War and the consequent increase of expenditures, it became urgently necessary to increase the annual revenue by all possible means. Moreover, although, generally speaking, the above-mentioned armament expansion schemes had their special financial resources, as we have already seen, there were no such special resources available for increasing the ordinary expenditures for armament occasioned by these expansion schemes, so that the resources therefor had to be sought in the increase of the ordinary revenue. We shall now see how the sources of revenue were adjusted in the decade ending with the outbreak of the Russo-Japanese War by explaining in brief the increase of national loans, the disposal of the indemnity money, and the increase of taxes during this period.

The period beginning with 1893 and ending with 1903 is known as a period of the expansion of national loans. The loans raised in this period were the Public Works Loan, the Hokkaido Railway Loan, the Railway Construction Loan, the Feudal Pensions Consolidation Loan, the Formosan Public Works Loan, and the first 4 per cent Sterling Loan.

1. Public Works Loan and the Hokkaido Railway Loan.—For the purpose of carrying out the post-bellum program for the improvement of the government railways, for the construction of railways in Hokkaido, for the extension of the telephone service, for the establishment of the iron foundry, and for armament expansion, the government had great need of money and undertook to raise 168,000,000 *yen* by issuing a Public Works Loan and a Hokkaido Railway Loan to that amount. The armament expansion expenditures were originally to be met by the use of the indemnity money, but as a

part of the indemnity was used for paying the Sino-Japanese War expenditures, it was intended to make good the deficit by issuing the Public Works Loan. However, the issue of this loan was hindered by the post-bellum financial pressure and the economic weakness caused by the lack of harmony in monetary circles, and the government was able to raise the loan only by means of a special issue to the amount of 81,980,000 *yen* until the year 1905.

2. Railway Construction Loan.—In 1893 it was decided that a loan should be raised to the amount of 60,000,000 *yen* for obtaining a fund for the construction of railways, and in each of the two years 1893 and 1894 this loan was issued to the amount of 1,000,000 *yen*. According to the alteration made later in the railway construction plan, it was determined to raise this loan to the total amount of 95,000,000 *yen;* but owing to the same reason mentioned in the foregoing paragraph with regard to the Public Works Loan, it was possible for the government to effect only a special issue to the amount of 70,000,000 *yen* until the year 1905.

3. Feudal Pensions Consolidation Loan.—As a final step toward the consolidation of the feudal pensions, this loan was floated to the amount of 282,500 *yen*.

4. Formosan Public Works Loan.—These bonds were issued with the object of meeting the expenses connected with various undertakings in Formosa, such as the construction of railways, the surveying and reclamation of lands, harbor works, and the building of government offices. This loan was also raised by means of a special issue, and the total reached 34,508,000 *yen*.

5. First 4 per cent Sterling Loan.—All the aforesaid loans could not be raised to the derived amount, as stated above, and although at first the government could resort to the so-called special issue by temporarily utilizing the indemnity money and other funds, the time for reimbursing the sums thus advanced was reached in the year 1899, and it became absolutely necessary to raise new loans to the amount of 100,000,000 *yen*. At last the government issued 4 per

cent Sterling Loan Bonds and obtained as proceeds 97,630,000 *yen*, which was apportioned to 78,000,000 *yen* for the Public Works Loan, 17,570,000 *yen* for the Railway Construction Loan, and 2,000,000 *yen* for the Hokkaido Railway Loan.

The national loans thus varied a great deal both in kind and in amount, but owing to the scarcity of domestic funds great difficulties were encountered in floating them. At length the object was attained by raising enormous sums by means of a foreign loan, as above stated, and this was the origin of sustaining the Japanese finances through recourse to foreign capital.

It may be said that the reason the post-bellum program was made out on so extensive a scale lay in the fact that the amount of the indemnity obtained as the result of the victory was very large, and in relation to the poor finances of the country at the time constituted a very large amount of extraordinary revenue; and this was reflected in an exaggerated manner upon the minds of both the government and the people. Indeed, the receipt of the indemnity was the greatest cause of the financial and economic shaking after the Sino-Japanese War. The indemnity money, totaling 231,500,000 *taels*, consisted of the following three items: a payment of 200,000,000 *taels* as indemnity for war expenses, an annual payment of 500,000 *taels* as indemnity for the temporary occupation of Wei-hai-wei, and a compensation of 30,000,000 *taels* for the retrocession of the Liaotung Peninsula. In the four years 1895–1898 the government received this indemnity to the total amount of £38,082,884 in English money, or 364,070,195 *yen* in Japanese money. The indemnity and its interest were placed under separate management in a Special Account, the receipts and disbursements of which are shown on the following page.

The expenditures needed for the post-bellum schemes after the Sino-Japanese War were thus met by means of public loans and the indemnity; but as the consequent temporary expansion of revenue led to the expansion of enterprises, it naturally led also to an increase of ordinary expenditures, and

the government was compelled to seek sources of ordinary revenue. Under these circumstances, increase of taxes was twice carried out. The first increase was effected as early as in the year 1896, because in that year the deficit in the Annual Account already amounted to 68,000,000 *yen*, and even the deficit belonging to the ordinary revenue was not less than 30,000,000 *yen*. By this increased taxation an additional annual revenue of 33,576,000 *yen* was obtained by inaugurating a business tax and a registration tax, by enforcing a leaf-tobacco monopoly, by increasing the *sake* brewing tax, and by effecting a general adjustment of the taxation system, also by transferring all sorts of license fees, which formerly belonged to sundry taxes, to the use of the local governments. Even this, however, was not sufficient to make good the deficit in the Annual Account, and as a shortage of revenue became unavoidable for the fiscal year 1899, the government made out a bill for an increased taxation on land and *sake*. The bill was submitted to the Diet but rejected by it. In 1899 the Diet was dissolved, and in the next session the object of increasing taxes was at last attained. In this second increase of taxes an additional revenue of 42,020,000 *yen* was gained by either increasing or introducing the land tax, income tax, *sake* tax, tonnage dues, registration tax, leaf-tobacco monopoly receipts, dues from the Bank of Japan, soy brewing tax, postal receipts, and tobacco-monopoly receipts.

	Yen
Receipts:	
Indemnity and interest	364,868,586
Disbursements:	
Army expansion	56,798,638
Navy expansion	139,259,387
Establishment of iron foundry	579,762
Assigned to the special account of extraordinary war expenditures	78,957,164
Extraordinary war expenditures, and transport and communication section expenses	3,214,484
Assigned to Imperial property	20,000,000
Formosan administrative expenses	12,000,000
Assigned to the three funds (cf. supra)	50,000,000
Assigned to the Special Account for the Administration of Concessions Abroad and to the National Debts Consolidation Fund	4,059,151
Total	364,070,195

In short, the increase of taxes at this period was the natural result of the general expansion of the state finances, and the amount of increase reached the annual sum of 75,600,000 *yen*, which was about half of the total 156,000,000 *yen* of the tax and stamp receipts and the monopoly profits in the year 1900, or exceeded by 5,000,000 *yen* the tax receipts of 70,000,000 *yen* in 1893. The national burden thus became heavier and heavier, and the relation between the armament expenditures and the increase of taxation may be seen in the fact that the increase of the ordinary expenditures at the time, as compared with the year 1893, was 84,000,000 *yen*, or 130 per cent, of which 25,520,000 *yen*, or 33 per cent, was that of the ordinary expenditures for armament.

From the Russo-Japanese War to the Present Day

In the Russo-Japanese War the disbursements as war expenditures amounted to about 1,860,000,000 *yen*, and the amount required in the expansion of the army and navy in the ten years following the war was about 1,634,000,000 *yen*. These two figures added together amount to as much as 3,494,000,000 *yen*, and although the Annual Account of this country is expanding year after year and has amounted in recent years to some 600,000,000 *yen*, such an enormous amount of expenditures for war and armament must have had a great effect on the country's finance generally. The following figures will show the financial changes by comparing the Settled Accounts of 1903, the year just before the outbreak of the Russo-Japanese War, with those of the year 1908.

According to the following table the ordinary expenditures of the year 1908, as compared with those of 1903, underwent an increase of more than 140 per cent, and the extraordinary expenditures an increase of more than 180 per cent. A similar increasing tendency is also to be observed in the annual revenue, as the ordinary revenue increased by 127 per cent, or from 224,180,699 *yen* in 1903 to 509,862,986 *yen* in 1908, and the grand total revenue increased by 200 per cent, or

ANNUAL EXPENDITURES BEFORE AND AFTER THE RUSSO-JAPANESE WAR [a]

Items	Amount expended 1903	Amount expended 1908	Increase
Ordinary expenditures:	*Yen*	*Yen*	*Yen*
Imperial household	3,000,000	3,000,000	....
Debt charges	36,484,520	183,031,308	146,546,788
Annuities and pensions	5,688,561	27,535,608	21,847,047
Army Department	39,355,388	67,665,133	28,309,745
Navy Department	21,530,237	34,347,700	12,817,463
General administrative and departmental expenditures	63,703,208	93,666,173	29,962,965
Total	169,761,914	409,245,922	239,484,008
Extraordinary expenditures:			
Army Department	7,529,174	74,140,048	66,610,874
Navy Department	14,587,620	37,230,748	22,643,128
Other departments	57,717,423	115,744,375	58,026,952
Total	79,834,217	227,115,171	147,280,954
Grand total	249,596,131	636,361,093	386,764,962

[a] In the expenditures of the Army and the Navy Departments, the annuities and pensions are not included.

from 260,220,758 *yen* to 794,937,260 *yen*. The unusual expansion of finance after the Russo-Japanese War is conspicuously shown by the above figures, and as may be seen from the foregoing comparative list of Settled Accounts, the main cause of the expansion lay in the increase of debt charges. This increase, plus the increase of annuities and pensions, accounts for about half of the total increase of the annual expenditures. While the administrative expenditures increased by about 70 per cent, the expenses for military affairs increased by about 150 per cent. Now, we may conclude that the first cause (in the order of importance) of the expansion of the Annual Account after the Russo-Japanese War was the increase of debt charges consequent upon the increase of national loans; the second cause was the expenditures required for armament and its expansion after the war; and the third cause was the increase of the general administrative expenditures.

The lack of a firm financial basis has been the common

defect of the country's finance in the last eight years, and this is evidently attributable to the three causes above mentioned. We may say that, generally speaking, the absolute as well as proportionate increases of war and armament expenditures made the government finance insecure or placed it in an almost precarious condition.

To be more explicit in our observation, we think we may distinguish two periods in the country's finance of the last ten years. The first period ends with the year 1908, during which disorder ruled Japanese finance. This condition may have been due to the fact that the post-bellum enterprises were all rough and unprepared, but this in turn gave proof of the urgent necessity of carrying out the great post-bellum program. In this first period the extraordinary special taxes or war taxes continued to be levied, and public loans on a very large scale were raised, and yet the financial condition was such that the Annual Account could not get rid of deficits. The second period began with the year 1909, and in this period all the energy was used toward putting an end to the war-time finance. Consequently, the basis of the Annual Account gradually gained firmness, and rays of hope were perceived beyond. In other words, the first period was of a positive nature and the second of a negative nature, and both were subject to the conditions brought about by the direct influence of war and armament expenditures. However, we may say that beginning with the years 1912 and 1913, the Japanese finances began to be restored to the normal state, and the first stage of the post-bellum financial adjustment seemed to have been passed.

It is now necessary for us to see what important position the expenses for military affairs occupied as against the various other expenditures required for post-bellum administration. The first of the great works in the post-bellum program was the nationalization of the railways. From the early days of the Meiji Era it was the policy of the government to put all the railways under the government's own control and management; but for financial reasons this policy had

not been carried into effect, though the plan therefor was several times contemplated. However, the experiences obtained during the Russo-Japanese War in the transportation of troops and munitions, and the irregular conditions in the working of the various private railways, taught the government that it was now of paramount importance to carry out the nationalization of private railways as the first step in the post-bellum program. Thus, railway nationalization was decided upon during the war, and though it was generally believed that the financial resources for carrying it out might be sought in a war indemnity, unfortunately the war did not bring even a penny of indemnity. But as the necessity for nationalizing the railways never diminished on that account, it was decided to carry it out by means of public loans. This was indeed the first step toward leading the post-bellum finance to ruin. In one year (October, 1906–September, 1907) the railways of seventeen private companies, the extent of which was 2,822 miles, were purchased by the government. The purchase price amounted to 481,981,000 *yen*, for which purpose the Railway Nationalization Loans were raised to the amount of 476,310,000 *yen*. Side by side with the nationalization of railways, the government formed a great plan for the construction and improvement of railways, and for the financial management a special account was established by which it was intended to accumulate its own profits in order gradually to complete the railway network all over the country. It was also intended that by reason of the burden of this special account ordinary loans and public loans should be raised according to necessity without interfering with the General Account. However, the actual state of things proved to be such that during and after 1909 funds between 20,000,000 *yen* and 50,000,000 *yen* were annually borrowed from the deposit section of the Department of Finance. This fact revealed the straitened circumstances of the Special Account of the Nationalized Railways, and also brought about bad results in financial and economic circles. The second important problem in the post-bellum program was

the administration of the newly acquired territories—Manchuria, Korea, and Saghalien. The government, which had already disbursed enormous amounts in the management of these places even during the war, was obliged to disburse 85,800,000 *yen* in all during and after 1907 until 1913, that is to say, 60,000,000 *yen* in the form of advances to the Korean Government, Korean Residency-General Expenditures, and supplements to the general expenditures of the Korean Government, 21,800,000 *yen* for supplements to the general expenditures of the Kwantung Government, and 3,500,000 *yen* for supplements to the Saghalien administrative expenditures. Thus, the increase in the number of colonies added a great burden to the finances of the government. In the third place, the government established a great scheme of riparian works and made a plan for disbursing a total of 193,000,000 *yen* in the eighteen years beginning with 1911. Besides the expenditures for the three great works enumerated above, there were innumerable other items of expenditure belonging to various departments of the government that may be recognized as expenditures for post-bellum undertakings. However, the expenditures belonging properly to the new post-bellum schemes may be said to have been 131,401,000 *yen*, or the total post-bellum continuing expenditures running until the year 1913, and the aforesaid expenditures for the nationalization of railways. Turning to the post-bellum program for military affairs generally, we find that, as narrated in Chapter V of Part I, there were plans for the creation of six new divisions of the army and the adoption of the two-year system for foot soldiers in the army, and for the maintenance of the 500,000 ton system in the navy. The expenditures required for these plans were 169,000,000 *yen* in the army and 334,000,000 *yen* in the navy, the actual amounts disbursed until the year 1913 having reached 127,000,000 *yen* in the army and 332,000,000 *yen* in the navy. Putting aside the railway nationalization expenditures, the whole of which remained as capital stock, we may now say that the expenditures for military affairs were three and a half

times all the other expenditures. If we add to these the 130,000,000 *yen* disbursed during and after 1907 out of the General Account on account of the Russo-Japanese War expenditures the said ratio will increase to four and a half times. It is needless to specify how greatly the expenditures for military affairs contributed to the extreme expansion and precarious condition of the post-bellum finances of the country.

The general tendency of expanding the post-bellum Annual Accounts is as stated above; and let us now see by what methods the financial resources therefor were obtained. The national loans, which amounted to 538,000,000 *yen* at the end of 1903, rose to the highest amount of 2,650,000,000 *yen* at the end of 1910. Meanwhile, the annual interest increased correspondingly from 25,700,000 *yen* to 119,500,000 *yen*. These great financial burdens were all caused by the war loans raised to meet the Russo-Japanese War expenditures and by the public loans issued for railway nationalization. The government, recognizing the urgency of establishing a sound policy regarding national loans, opened a special account called the National Debts Consolidation Fund, and by utilizing for it an annual disbursement of 110,000,000 *yen* from the General Account opened the way for consolidating the national loans at the first opportunity. But the majority of the suddenly increased national loans were superabundant in the market and their value showed a depreciating tendency day by day. The 5 per cent loans, for instance, which were quoted at 96.50 *yen* in February, 1906, went down to 79.00 *yen* in March, 1907. The government endeavored to devise methods for maintaining their prices, and as a means to that end it abolished the Stock Exchange Tax on national loan transactions, exempted national loans from registration taxes, allowed the payment of revenue dues in national loan bonds and interest coupons, and exempted from income tax the interest accruing from national loan bonds. But the object of keeping up the prices of national loans could not be attained. At last, in 1908,

radical measures for consolidating the national loans were undertaken by the Katsura Cabinet, and for that purpose the curtailment of the General Account and the postponement of various prearranged undertakings were effected. Thus, an annual redemption of national loans to the amount of 50,000,000 *yen* was fixed upon, by which the credit of the national loans was to a certain extent restored, and the government then proceeded to consolidate the high-interest loans. Prior to this there were already the 6 per cent Sterling Bonds floated to the amount of £25,000,000 in November, 1905, for the purpose of redeeming the fourth and the fifth Exchequer Bonds, and the 5 per cent Sterling Bonds issued to the amount of £23,000,000 in March, 1907, for the purpose of converting the first and the second 6 per cent Sterling Bonds. There were still remaining some 590,000,000 *yen* of domestic and foreign loans bearing interest in excess of 5 per cent, and the consolidation of these high-interest loans was the work of the Katsura Cabinet. Consequently, in February and March of 1910, 4 per cent domestic loans amounting to 100,000,000 *yen* were issued in each of the two months, and in May of the same year French loans were also issued to the amount of 450,000,000 francs and English loans to the amount of £11,000,000. At the same time there was also effected a special issue of 4 per cent domestic loans to the amount of 77,000,000 *yen*. In this way the redemption was effected of the 5 per cent loans, such as the Navy Loans, the Consolidated Public Loans, the Second Exchequer Bonds, the Railway Nationalization Bonds, and the Extraordinary Military Expenditures Loans. The aggregate amount of national loans was thus to a certain extent reduced, that is, to 2,493,900,000 *yen* at the end of 1912, the annual interest having also come down to 114,870,000 *yen*. The national loans consolidation work was thus far accomplished. It remains to be seen, however, whether or not such an enormous amount of national loans was too great a burden on the national economy; and in particular it must be noted that the burden of the national loans caused by the Russo-Japanese

War has remained until this day almost without decrease in amount.

We have already seen in Chapter V of Part I of this volume that extraordinary special taxes were inaugurated to meet the expenditures for the Russo-Japanese War. In spite of the fact that these extraordinary special taxes were meant to be levied only for a certain limited time, the post-bellum financial requirements necessitated their continuance, and inequality and excess of burden were the inevitable results. Such a state of affairs could not be allowed to continue, so that during and after 1910 a partial revision of the taxation system was effected, viz., an 0.8 per cent decrease was effected in the land tax; the mode of assessment and the rates of business taxes were revised; the inheritance taxes were lowered; the mode of assessment was revised in the *sake* tax and sugar excise; and a decrease was effected in the excise on textiles and salt-monopoly prices. These revisions of the taxation system brought about an annual decrease of revenue amounting to 15,000,000 *yen*. But these innovations in the taxation system merely resulted in the removal of two or three conspicuous defects in taxes, and a sufficient rectification in the fundamental lines of taxation was never made. The receipts from taxation, which amounted to 146,000,000 *yen* in 1903, rose to nearly twice that amount, or 283,000,000 *yen*, in 1906, and thus the aforesaid small revisions introduced in the taxation system had not produced any noteworthy effect. In 1913 the revenue from taxes further came to 336,000,000 *yen*, and the profits of the government monopolies aggregated 65,000,000 *yen*. We do not know when we shall be able to see the alleviation of this burden of taxes, but at any rate the radical adjustment of these heavy taxes is a long-pending question with both the government and the public.

In summary it may be said that the finances of Japan in recent years have been suffering from the scarcity of financial resources, notwithstanding the extraordinary expansion of the Annual Account, and that great financial difficulties

were caused by the increase of debts. It is quite clear that all this was principally due to the Russo-Japanese War and the post-bellum military expansion. Owing to the insufficiency of funds, the expenditures for general administrative affairs have always been curtailed, and while this tendency was made so great by the positive policy pursued in the three years after the war, the negative policy adopted in the five years thereafter could barely rescue the finances from ruin.

CHAPTER III

EFFECTS ON THE MONEY MARKET

With regard to the effects of the war and armament expenditures on the money market, we regret that we shall be able to make no exact statistical investigation, but only to draw conclusions based on mere inference. This is partly due to the fact that we can not in this case make any distinction between the disbursements for war and armament purposes and those for general administrative purposes and debt charges, and partly to the fact that, even where similar amounts of money were disbursed, their effects on the money market differed according to the manner in which the disbursements were made and according to the condition of the money market at the time. As regards the comparative study of the war and armament expenditures and those of other administrative expenditures, we have already discussed it in considerable detail in Part I of this volume, and that must form the premise of our discussion in this chapter. We shall now give here by way of introduction a brief outline of the development of the money market of this country.

The history of the Japanese money market since the time of the Restoration is commonly divided into three periods. The first period extends from the first year of Meiji (1868) to 1877. This was the period in which the monetary organs were created and the system of the utilization of capital was established. Though in this period many new institutions were started to take the place of the old feudal systems, there was no time to exercise calm and careful discretion in the adoption of these new departures. As society was thrown open to the agricultural, industrial and mercantile classes, who lost their former privileges and mingled with the *Shizoku* or former *Samurai* (military class), who in turn were compelled to procure new means of livelihood, a chaotic condition came to prevail in the

economic world. Though we call it a period of the establishment of the utilization of capital, it was in reality a period in which no regular order of things was yet constituted.

What is called the second period in the history of the money market of the Meiji Era begins with the Satsuma Rebellion in 1877 and ends with the year 1886, in which the convertible system of government paper money was finally established, and it may be called the period of reforming the monetary organs and of developing the system of capital investment. The monetary organs created in the first period were a mixture of the old and the new ages. They were of such crude and inferior nature that no healthy progress was expected of them, and the hard times of the Satsuma Rebellion revealed the necessity of their radical reform. As for the system of capital investment, indications of the development of which were observable in the first period, it gradually commenced to progress with the adjustment of paper money. The formation of a national economy, in its modern sense, was at last accomplished toward the close of this period, and the correlation of the monetary circles all over the country could at last be seen.

The third period is the period from the year 1886 to the present day. It may be styled the period of the active working of the monetary organs and the smooth working of the system of capital investment. In this period we recognize for the first time the proper development of the money market in conformity with the national economy, and the existence of the monetary organs to cope with it. In the last few years of this period we also note the international intercourse of our monetary circles.

The development of monetary organs and of a money market in this country is as roughly stated above, and the effects of the war and armament expenditures on the money market are differently characterized according to the said different periods of the history of the money market. We may say that the effects in the first period were confusion with lack of connection between them, the only question being to what extent the establishment and creation of the monetary organs and

money market were made difficult. The same state of affairs also prevailed in the second period. In the third period only are we able to discuss in what manner the already formed national money market could meet the requirements of war and armament expenditures. In this chapter, however, the above-mentioned different periods are not followed, but for convenience of reference the epochs as classified in Part I of this volume are pursued instead.

From the Restoration War to the Satsuma Rebellion

Disorder of Currency System and Issuance of New Paper Notes

The Tokugawa Government met its expenditures by a financial system peculiar to the feudal age, but, owing to growing financial distress at the time of its downfall, it frequently resorted to recoinage as its invariable relief measure, and in every case, excepting the solitary case of the Kioho Era (1715–1734), it brought out coins of lighter weight and lower quality. Thus, the coinage system, though nominally kept intact, was practically destroyed in the end through continual debasement. Besides, some of the *Daimios* (feudal princes) often took the liberty of secretly coining money, while the practice of issuing paper money for circulation within their separate jurisdictions became well-nigh universal. In a word, the currency system of the country at the end of the Shogunate period was in a most disordered condition.

On entering Yedo (now Tokyo) the Imperialist forces captured the feudal mints, seized the coins, and grasped the power of coinage. But they could introduce no improvements, having only followed the old coinage system, and, as they even issued inferior coins, the disordered condition of the currency system was made still greater. The outflow of specie, which had been great since the Ansei Era (1854–1859), became more and more conspicuous, and the depreciation of the currency reached its extreme. In 1870 the Imperial Government drew up a plan for reorganizing the existing coinage system on a sound basis, and by issuing new coins in 1871 on the gold

standard it endeavored to accomplish in a single effort the great work of unifying the coinage system. The gold standard was of course adopted in accordance with the examples of the other countries, but the issuing of new coins could not be carried out as the government wished because of the enormous amount of the government paper money and the old currency that was already in circulation. The adoption of the gold standard remained almost a mere plan, therefore, and could not produce the desired effect. Moreover, the new coinage system was defective in that the coins of legal tender were to be driven out of the country by the subsidiary coins, owing to fluctuations of the ratio of value between gold and silver. The silver trade dollar (*Boyeki ichi yen gin*), which was current at the time, drove the legal tender gold coins out of the country. But the government did not have the penetration to discern the truth of the situation, and thinking that the Mexican dollars could be driven out by increasing the weight of the trade dollar, it ventured to increase the weight of the trade dollar in 1875. The government was ignorant of the fact that by doing so the rampancy of the Mexican dollars was still more increased. It could not be helped that the government at that time often committed blunders of this sort. The government's scheme of improving the coinage system having thus failed, in November, 1878, the gold standard was given up and a gold and silver bimetallic system was adopted. In practice, however, as there was no circulation of gold coins, it may be said that Japan had adopted from this time on a silver monometallic system.

Though the work undertaken by the Meiji Government for the reorganization of the coinage system ended in a fiasco, yet it can not be denied that by these efforts the standard unit of value was fixed and a certain progress was made in the unification of the coinage system.

What formed, then, an important question of the monetary system, in contradistinction to the unification of the coinage system, was the issuance of inconvertible paper money. As narrated previously, the financial resources for the expenses

of the War of the Restoration were sought chiefly in the issue of inconvertible paper money, and it must thus follow that the most important economic effects, or especially the effects of the expenses for military affairs of the War of the Restoration upon the money market, were produced through the channels of the inconvertible paper money. The issuance of paper money by the Meiji Government began with the Dajōkan-satsu (or the notes of Dajōkan) of the 19th of the intercalary month of April, 1868. The principal object of the issuance was to provide for the expenses for military affairs for the War of the Restoration, and the old methods of issuing the *Han* (clan) notes were pursued. The government had to make a loan of these notes to the *Han* governments, at their request, the amount being proportioned to the revenue of each *Han*, at the rate of 10,000 *rio* (old *yen*) for each 10,000 *koku* of rice. The liquidation of these loans was to be made by yearly instalments, in the same paper money, 10 per cent of the loans being payable at the close of each year. While the object of issuing these notes was proclaimed to be that of supplying capital for the development of industry, as shown in the wording of the Imperial Ordinance concerned, viz., "in order to lay the foundations for the wealth of the country," and "as an emergency measure for the relief of universal distress among the people," it is not to be denied that another very urgent object was that of obtaining war funds. The Dajōkan-satsu issued in such a manner and with such an object amounted to 48,000,000 *rio* during the period from April, 1868, to November, 1869.

In 1869 another Imperial Ordinance appeared in regard to the issuing of the Mimbusho-satsu, or the notes issued by the Home Department. The end sought was to relieve the current distress due to the lack of small currency. Hence, these notes of the Home Department were to be all of smaller denominations and to be issued in exchange for the Dajōkan-satsu of denominations above one *rio*. Yet the annual deficit of revenue continued to be so great that the government most unfortunately did not keep its promise of canceling the exchanged notes, which were again placed in circulation. The

result was that the Mimbusho-satsu of 7,500,000 *rio* was put on the market in the term from September, 1869, to October, 1870. It was now evident that the paper money issued in such a great amount could not maintain its own credit. The sphere of the paper money circulation was very limited at the time, and the independent state of each of the three principal prefectures—Tokyo, Kyoto, and Osaka—added further to the overflow of paper money. The extreme loss of credit of paper notes was due partly to the lack of confidence in the Imperial Government itself, but also to the fact that the people could not free their minds of the sad experience of the losses they had incurred on account of the inconvertible notes issued by the various clan governments. It was thus unavoidable that the value of paper money in 1868 could not rise above 70 per cent of the value of the Mexican dollars. Therefore, the government, being confronted with great difficulty in maintaining the value of paper money, resorted to every makeshift for the purpose. For instance, the government prohibited the quoting of the value of paper money and arrested and then released the offenders; established a standard quotation at the ratio of 120 *rio* of paper money to 100 *rio* of specie; announced that the time of converting paper money into specie was at no distant date, or, again, made clear that such conversion could not easily be realized. After various attempts to secure credit, in which expostulations and threats were used alternately, the government saw the impossibility of keeping the price of paper and of specie on a par. In the summer of the year 1869, however, the value of inconvertible notes suddenly rose, so that they came to circulate at par with specie; but this was quite accidental because of the fact that the appearance of bad coins, which the various clans took the liberty of issuing at the time of the War of the Restoration, together with the worthless plated coins, resulted in the complete disappearance of the coins of proper quality. When in this way all the coins became bad and lost national credit entirely, the government began to withdraw specie as a preparatory step to the unification of the coinage system; and the result was that the credit

of paper money suddenly increased, because it became better than counterfeited hard money or coins of the worst kind.

Although the disordered state of the coinage system was of course a problem that should have been solved in the early days of the Meiji Era, no efforts to that end were of any avail because there was no adequate power for it on the part of the government. This must be regarded as one obstacle to the development of our monetary system. The inconvertible notes were issued solely because of the requirements created by the War of the Restoration. The advisability or inadvisability of the issue can not be discussed easily and simply; but in this connection we must always consider the two important facts, viz., that the Restoration was a great turning-point in the history of Japan, and that no other means were available than to resort to the issue of inconvertible notes for raising the funds needed for that war. Though, as already mentioned, the issuing of inconvertible notes once caused a great rise in the price of commodities and increased the disordered condition of the coinage system, with many disastrous results, it may be said that the evils of the inconvertible notes issued for the needs of the War of the Restoration were comparatively limited, because the value of the notes was restored to a normal state within a comparatively short period. It was also fortunate that by the issue of paper money the people and the government were brought into closer touch, as the people, long accustomed to the feudal system, came to understand what the Imperial Government could do and learned something about the value and use of creditable paper money. Thus, there were good results in this direction. Much more fortunate was the case when, a few years thereafter, the random issue of paper money was stopped and that money came to circulate freely at par with specie. Therefore, while on one hand we see the evil effects of the paper money issued on account of the War of the Restoration, on the other hand we must consider that such evils were inevitable and be somewhat lenient in our criticism of the government's policy at the time. We must likewise bear in mind that the economic dis-

asters connected with the issue of inconvertible notes after the Satsuma Rebellion were brought about chiefly by the paper money issued at random to meet the expenditures of that war. We do not say that the bad effects of the paper money issued at the time of the War of the Restoration did not last until after the Satsuma Rebellion; but we mean to say that, if there had been no irregular issue of paper money at the time of the Satsuma Rebellion, it might have been possible to prevent the occurrence of a calamity.

The government, which experienced great difficulty in circulating the so-called *kinsatsu*, or the Dajōkan and the Mimbusho notes, was again obliged to issue paper money under straitened circumstances which now reached an extreme. Thus, on October 12, 1871, an Imperial Ordinance appeared relating to the convertible treasury bills (Ōkurasho Dakan Shoken), which were issued through the banking department of Mitsui & Co. The object of issuing these bills was twofold: first, to make up a yearly deficit of revenue; secondly, to call forth hoarded old coins in order to have them recoined into new coins. The amount of these bills issued up to February, 1872, rose to 6,800,000 *yen*. Again, on January 14, 1872, another Imperial Ordinance appeared in regard to the issuing of Kaitakushi bills for the purpose of defraying the expenses of the Colonial Government of Hokkaido. These were also issued through the banking department of Mitsui & Co., and the amount issued reached 2,500,000 *yen*.

All the convertible and inconvertible paper notes issued up to this time showed very inferior workmanship, so that several attempts had been made to counterfeit them. The government therefore determined to exchange all these notes for paper money of more skilful workmanship, and entrusted the manufacture of the new paper money, amounting to 100,000,000 *yen*, to a certain manufacturing firm established in Frankfurt, Germany. On December 27, 1871, an Imperial Ordinance was issued relating to the circulation of this new paper money, which was of excellent workmanship and welcomed by the people. The government now earnestly adopted the

policy of circulating this new paper money and of withdrawing the old paper notes in exchange for it. If the issuing of the new paper money had been limited to the purpose of exchange, it would have been all right; but as the government, in order to gloss over for a time the straitened circumstances of its finance, issued this new paper money beyond this limit, injurious effects resulted therefrom. Here the progress of the national economy was sacrificed for the financial convenience of the government. The amount of the new paper money issued in excess was not small, and one such issue was openly made on a large scale to meet the war expenditures of the Satsuma Rebellion. Besides, as the government took over the old *Han* notes of the feudal days, it contracted a liability of 24,959,350 *yen* and for the purpose of conversion issued new paper money to the amount of 22,908,430 *yen*.

Table A at the end of this chapter[1] shows the amounts of paper money in circulation at the end of each year from 1868.

Inauguration of the Banking System

When the work of the Meiji Restoration was accomplished, the sweeping change that was effected in the national institutions caused a chaotic condition in every branch of society. How to make relief measures for this was the question that most worried the government authorities. In financial affairs the government early adopted the policy of protection, established the *Shohoshi* (Business Bureau), later renamed *Tsūshōshi* (Commercial Bureau), which guided business enterprises, and created a Money Exchange Company in order to supply capital to the trade generally. The exchange company was a monetary organ established under the government's protection and enjoyed the privileges of issuing paper money, receiving deposits, making loans, and transacting exchange business, and was the origin of the banking system of Japan. Though this company was no more than a medium for utilizing the funds borrowed from the government, and its business finally ended in failure, we can not but

[1] *Post*, p. 213.

recognize the distinguished services rendered by it in the midst of the extremely disordered state of the monetary circles at a time when there was no way of accommodating capital to trade. The creation of the Money Exchange Company was the germ of the monetary organ in its developed sense, and it contributed in a certain degree to the adjustment of monetary affairs generally. It was established in each of the eight principal cities in the country, and though its business failed in the end, it can not be denied that it gave a stimulus to the rise of the monetary organs in the country, as people then began to plan the establishment of banks. But the government would not allow the people to carry out such plans easily, because it was just then contemplating the inauguration of a banking system by which to solve the urgent question of the adjustment of inconvertible notes. In 1872 there were promulgated the National Bank Regulations, which were based mainly upon the National Bank Act of the United States of America, and all the banks were made to abide by these regulations. In this way it was expected that proper monetary organs would be created and that the adjustment of inconvertible notes would be effected. According to the said National Bank Regulations the banks were required to deposit with the government paper money corresponding to 60 per cent of their capital, which was to be not less than 50,000 *yen*, and the government in turn was to give to the banks 6 per cent Kinsatsu Exchange Bonds, whereupon the banks again deposited these bonds with the government as security for the bank notes to be received from the government. In this way the banks were enabled to make loans to the public out of the fund consisting of the bank notes delivered by the government. The banks were liable to convert these bank notes into specie, and so were to hold a specie reserve for the purpose to an amount equaling 40 per cent of their capital. By enforcing these regulations the government aimed at a speedy conclusion of the adjustment of inconvertible notes and expected the successful circulation of the convertible bank notes, and in order to pre-

pare for this it manufactured bank notes to the amount of 100,000,000 *yen*. But at that time there was a large amount of government paper money in circulation, the value of which was depreciating a great deal, and as there was consequently a great outflow of specie abroad, the bank notes convertible with specie were continuously returning to the banks after being issued for circulation. Such being the case, the banks had no means of making profit, and only four banks were established under these regulations, so that the government was disappointed. Neither the Kinsatsu Exchange Bonds nor the convertible bank notes were issued in any great amount, and the business of the national banks became more and more difficult. The government now decided to give to the national banks the privilege of issuing bank notes exchangeable for currency and made liberal conditions for such issue. Another reason for making such a revision in the regulations was that, owing to the issue of government loan bonds amounting to 174,000,000 *yen* for the capitalization of the Hereditary Pension Bonds, it was necessary to devise methods to expedite their operation and to prevent a decline in the value of public loan bonds; and by facilitating the issue of bank notes in making them issuable on the security of government loan bonds it was hoped to increase the demand for the loan bonds. The object of this revision was successfully attained, as in December, 1879, the number of established banks reached one hundred fifty-one, with an aggregate capital of 46,000,000 *yen*. The bank notes issued by them amounted to as much as 34,000,000 *yen*, and the bank business other than the issuing of bank notes also began to develop.

In summary we may say that the historical development of monetary organs in the Meiji Era was always closely bound up with the adjustment of inconvertible notes, and that its progress was always made difficult by all sorts of failures. In this connection we are also reminded of how lasting were the effects of the inconvertible notes issued on account of the expenditures for the War of the Restoration.

Though the failure in the National Bank system made difficult the work of paper money adjustment, yet the birth of the new system gave opportunity for the progress of the banking business, and we must recognize that it formed a guide to the development of the necessary organs of the national economy in a real sense.

From the Satsuma Rebellion to the Sino-Japanese War

Defrayal of War Expenditures and Increase of Inconvertible Notes

In Chapter III of Part I of this volume we saw that the expenditures for the Satsuma Rebellion were met by 15,000,000 *yen* loaned by the Fifteenth Bank and by the increased issue of 27,000,000 *yen* of government inconvertible notes. This fund borrowed from the Fifteenth Bank consisted of National Bank Notes, which were in nature inconvertible, because, as stated already, they were only convertible with the inconvertible government paper money. As this loan bore interest at 5 per cent and was redeemable in twenty years, it was more disadvantageous for the government than the issuing of inconvertible notes; but the reasons for the contraction of this loan, in spite of these unfavorable conditions, were, first, that there was need of employing the spare money of the Fifteenth Bank, which was established with the capital composed of public loan bonds, by way of putting into use the capitalized pension bonds issued by the government at the time; and, second, that the manufacture of paper money by the government could not satisfy the immediate requirements of the time.

In the preceding section and in Table A at the end of this chapter[1] we have noted the increasing rate of the amounts of circulation of government paper money and bank notes. Table B, immediately following Table A,[2] will show how the rate of increase was accelerated by the addition of the

[1] See *post*, p. 213. [2] *Post*, p. 214.

paper currency used in the expenditures of the Satsuma Rebellion.

We see from these figures that the highest amount of government paper money was reached at the end of 1878 and the highest amount of bank notes at the end of 1880. The total sum of the government paper money and the bank notes reached its maximum at the end of 1878. Referring, however, to the monthly statistics of the amounts in circulation of these two kinds of paper currency for these years, we find that their highest figures were reached at the end of January, 1880. Considering now the relation between the increase of paper money and the expenditures for the Satsuma Rebellion, we see that the only increase of the government paper money in that connection was the 27,000,000 *yen* of February, 1878, and that the increase of the bank notes was 15,000,000 *yen* during the term February, 1877–July, 1878, the latter amount corresponding to the amount of bank notes borrowed in thirteen instalments from the Fifteenth Bank during the same term. We may conclude, therefore, that the increase of inconvertible notes and bank notes during the term 1877–January, 1880, was due solely to the needs of the expenditures for the Satsuma Rebellion. We must also say that the effect of the overflow of inconvertible notes on the money market was due almost entirely to the expenditures for the Satsuma Rebellion. If the inconvertible notes issued after the Restoration had not been remaining at that time the injurious effect of the inconvertible notes issued largely on account of the Satsuma Rebellion would not, of course, have been so great as it was. But it was due to this increased issue of inconvertible notes at the time of the Satsuma Rebellion that the evils of the inconvertible notes were again brought to light.

Depreciation of Paper Money and its Effects

The increased issue of paper money resulted in a depreciation of the value of paper money and in a rise in the price of commodities, and produced without exception the economic

evils that invariably result from the inflation of paper money. If the paper money, however overissued, had been convertible and had had the quality of elasticity, it would have naturally decreased in amount and would not have caused such disastrous effects; but as it was inconvertible and lacked elasticity, the effects were detrimental.

For a long time after the failure of the new coinage system in this country, the coins actually used in international transactions were trade dollars and Mexican dollars. Before the year 1877 the difference of value between these silver dollars and the paper money was very small, the value of the latter only ranging from 0.95 *yen* to 1.05 *yen* against one silver *yen*, according to the conditions of foreign trade; but with the overissue of paper money the difference became more and more conspicuous, and was followed by a rise in the price of commodities, an excess of imports over exports, and an outflow of specie abroad. The following table, giving the average exchange rates of paper money for silver *yen* and the quotations of silver bullion in London shows that the depreciation of paper was not due to the appreciation of silver but to the overissue of paper money:[1]

EXCHANGE RATES OF PAPER MONEY AND QUOTATIONS OF SILVER BULLION

Year	Exchange rate of paper money for one silver yen	Quotation of silver bullion in London
	Yen	
1877	1.033	54 13/16
1878	1.099	52 9/16
1879	1.212	51 1/4
1880	1.477	52 1/4
1881	1.696	51 15/16
1882	1.571	51 13/16

The premium in the exchange of paper with silver reached as much as about 70 *sen* per *yen* in the year 1881. The effects of the fall in value of the paper money were also manifested

[1] The exchange rate of paper for silver is the yearly average of the monthly rates, and the silver quotation in London is the average of the highest and lowest quotations in the year.

in the purchasing power of the paper money, as shown in the following table of the prices of rice, the most important staple product of the country:

WHOLESALE PRICE AND PRODUCTION OF UNHUSKED RICE (1877–1882)[a]

Year	Wholesale price of unhusked rice				Annual production of rice		Index number for prices of commodities specially reported by the Bank of Japan
	Price per koku[b]	Index number	Value in silver	Index number	Amount	Index number	
	Yen		*Yen*		*Koku*		
1877	5.34	100	5.17	100	26,599,181	100	99
1878	6.38	119	5.81	112	25,282,540	95	106
1879	7.95	148	6.56	154	32,418,924	120	119
1880	10.57	196	7.16	138	31,359,326	117	143
1881	10.59	197	6.25	120	29,971,383	113	163
1882	8.81	164	5.61	108	30,692,327	115	140

[a] The price of rice is the average of that in Tokyo of the middle grade quality. For the index number of the prices of commodities reported by the Bank of Japan, cf. Chapter V.
[b] *Koku* = 5.13 bushels.

In spite of the fact that there was not much decrease in the production of rice in the years 1879, 1880, and 1881, we see that its prices were considerably increased, thus proving that the purchasing power of paper money was decreased. This will be more clearly understood if we compare the prices in paper money with those reduced to silver valuation. Thus, the changes in the prices of rice most clearly exhibit this state of things, but the prices of other commodities at the time point to the same general tendency, as shown by the index numbers of the prices of commodities as reported by the Bank of Japan.

The depreciation of currency and the appreciation of prices were as stated above, and these bad conditions, which were continuing from the time of the Restoration, were made much worse by the effects of the inconvertible notes issued at the time of the Satsuma Rebellion. An abnormal state in economic circles ensued. From the year 1877 an excess of imports over exports was seen every year, amounting to 4,000,000 *yen* in that year, 6,900,000 *yen* in 1878, 4,770,000 *yen* in 1879,

and to as much as 8,250,000 *yen* in 1880. Accordingly, gold and silver rapidly left the country, with the yearly balance of exports over imports of 7,260,000 *yen* in 1877, 6,130,000 *yen* in 1878, 9,640,000 *yen* in 1879, 9,580,000 *yen* in 1880, and 5,630,000 *yen* in 1881.

The disordered state in the debit and credit relations, the inflation of currency, and the rise in the price of commodities, and the consequent demand of capital, gradually led to the raising of the rate of interest. The rate in Tokyo (for amounts between 100 and 1,000 *yen*), which was under 10 per cent in 1877, gradually rose in 1878 and 1879 to 12.5 per cent. During and after 1880 the rate of over 15 per cent became common. The value of securities also depreciated. The 7 per cent capitalized pension bonds, for instance, which were quoted at 83.49 *yen* in 1878, fell to a monthly average of 71.89 *yen* in 1880, finally falling to 65.27 *yen* in January, 1881. With these changes in economic circles, the people ran wild in extravagances, the industrial classes became greatly excited with vain hopes of speculation, and the derangement of the economic and financial condition of the country became most deplorable. The government now became fully aware of the danger the country was in, and one after another it adopted the necessary measures for the regeneration of the economic and financial condition of the country. That disastrous results would inevitably follow if inconvertible paper money were made the standard of value might have easily been foreseen by anybody possessed of mere common sense, but the measures adopted by the government at this crisis seemed to show that the authorities did not grasp this simple truth. They regarded the difference in price between silver and paper as an indication not of the depreciation of paper but of the appreciation of silver. They attempted, therefore, to stop the rise of the price of silver by increasing the amount of its circulation. The government sold silver coins reserved for the resumption of specie payments, opened places for the exchange of silver coins, so as to balance speculations in Mexican dollars and other coins,

and then established the Yokohama Specie Bank in order to call forth the coins hoarded by the people. This bank, which was established with the government's careful support, was to supply the merchants engaged in foreign trade with the silver coins kept as the government's reserve and also to transact foreign exchange business. But the more these measures were resorted to the higher the price of silver rose, and no one knew how far the paper currency would go down in the scale of depreciation. The evil effects on the money market caused by the expenditures for the Satsuma Rebellion reached their height at this time.

Withdrawal of Paper Notes and the Establishment of a Conversion System

As the emergency measures taken against the depreciation of inconvertible notes had all proved ineffective, there was pressing need for further radical measures. Until this time the government had a reserve fund for the redemption of paper money, but whenever it accumulated it was always diverted to other purposes. In September, 1880, the government gave up the plan of selling the silver coins and began to take steps to redeem a part of the paper money in circulation by means of 7,000,000 *yen*, the annual revenue obtained by doubling the rate of the tax on *sake* brewing. In November of the same year the Kinsatsu Exchange Bond Regulations were revised, as a result of which the 6 per cent bonds were made exchangeable with paper money. The undertakings hitherto carried on by the central government were transferred to the local governments, and the fund saved thereby was utilized for the redemption of paper money. Though these improvements were introduced in the method of redeeming paper money, the depreciation still continued without a sign of abatement. In April, 1881, the average quotation of paper money for one *yen* of silver became 1.79 *yen* (the highest in the month being 1.81 *yen*), and the fall in the value of paper money reached its extreme. It was at this crisis that Count Matsukata (now Marquis) received

the portfolio of finance and was called upon to rectify the system of paper money. He was able to solve the question successfully by exercising sound judgment and exact calculation, and finally established the coinage system on a firm foundation and did much to further the economic development of the country. His plan was not confined to the redemption of paper money, but at the same time aimed to establish a powerful central bank and to complete the circulation of the convertible bank notes issued by such a central bank. At the time of his appointment as Minister of Finance, the amount of government paper money in circulation was 120,405,000 *yen*, that of bank notes 34,398,000 *yen*, the total being 154,803,000 *yen*. Of course, the adjustment of so large an amount of paper money was a great event in the history of the money market. The following table gives the figures concerning the gradual redemption of paper money, and shows how the value of paper money was gradually restored with the progress of its redemption:

GRADUAL REDEMPTION OF PAPER MONEY

Year	Government paper money		Bank notes		Total amount of government paper money and bank notes circulating at end of year	Value of paper money for one yen silver coin
	Redeemed during year	Circulating at end of year	Redeemed during year	Circulating at end of year		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1880	5,778,436	124,940,486	....	34,426,351	159,366,837	1.477
1881	2,507,174	118,905,195	....	34,396,818	153,302,013	1.696
1882	536,180	109,369,014	....	34,212,805	143,581,819	1.571
1883	7,369,737	97,999,277	....	34,092,802	132,092,079	1.264
1884	4,619,044	93,380,234	778,654	30,914,148	124,294,382	1.089
1885	5,035,137	88,345,096	820,940	30,093,208	118,438,304	1.055
1886	20,544,258	67,800,839	638,303	29,454,905	97,255,744	1.000
1887	11,085,794	55,815,044	889,031	28,565,829	84,380,873	....
1888	9,080,311	46,734,733	920,046	27,645,771	74,380,504	....
1889	5,543,803	41,190,931	935,503	26,710,268	67,901,199	....

As shown by the above figures, the redemption of government paper money began in 1880 and that of bank notes began in 1884. The annual redemption of both kinds of paper money amounted to a great deal, and their circulating amounts yearly decreased, so that by the end of 1887 their total diminished

to 84,000,000 *yen*, or about one-half of that at the end of 1880. The result was that the value of the paper money gradually approached that of specie, and by the year 1886 the difference between the value of silver and that of paper almost disappeared.

The government's endeavors to redeem the paper money and bank notes were very great, because in this effort a large reserve fund was needed. Accordingly, the most rigorous economy was practised in all the ministerial departments, and by June, 1885, the specie reserve thus gained reached 40,000,000 *yen*, equaling about one-half of the amount of the government paper money in circulation. Therefore, in January, 1886, the exchanging of paper money with silver coins was commenced. From that year a plan for the annual redemption of 7,000,000 *yen* was carried into effect, and thus the redemption of the government paper money was finally completed in 1902. As regards the adjustment of the bank notes, it was planned to establish a large central bank, by which to effect the much-needed adjustment of the National Banks, which were the source of all troubles, and to replace the inconvertible bank notes with real convertible bank notes. The memorandum respecting the scheme for the establishment of the central bank, or the Bank of Japan, stated its objects as follows: (1) to act as the supreme monetary organ, in order to concentrate in the hands of numerous National Banks the capital scattered in different localities; (2) to serve thus as a source of capital supply, according to the circumstances in monetary circles; (3) to lower the current rate of interest throughout the country; (4) to perform certain services in the Treasury, so as to simplify the business of the Exchequer; etc. In short, the Central Bank was to act as the highest and most powerful monetary organ in the country. Thus, the Bank of Japan was established after the pattern of the banks of the same kind in European countries, notably that of Belgium; and with a capital of 10,000,000 *yen*, half of which was subscribed by the government, the bank opened its business in October, 1882.

The time had now arrived for the government to effect the adjustment of the existing National Banks. In May, 1883, the National Bank regulations were revised, as a result of which the National Banks were deprived of their right of issue, and the Bank of Japan was granted the sole privilege of issuing convertible bank notes. The Bank of Japan was now burdened with the duty of adjusting the paper money hitherto issued by the National Banks, and for that purpose each National Bank was required to deposit with the Bank of Japan its reserve fund devoted to the purpose of redeeming its notes. Each National Bank was also required to set apart every year a portion of its profit, equal to 2.5 per cent of the amount of the notes issued by that bank, and to deposit this sum with the Bank of Japan to form part of the redemption fund. Though there was more or less difficulty in carrying out these redemption measures, they were smoothly carried out in general as prearranged. Besides, after the year 1896, the fund obtained by selling the national loan bonds deposited at the Bank of Japan was used directly for the redemption of paper money. This being so, the amount of the notes in circulation, which stood at 29,500,000 *yen* at the end of 1886, was totally redeemed by the year 1899. Now that the arduous task of redeeming the government paper money and the bank notes was successfully accomplished, the government proceeded to make the Bank of Japan perform the duty of issuing convertible bank notes. As a first step, a trial issue by the bank of convertible bank notes to the limit of the reserve fund was effected by making the Bank of Japan owner of a sufficient reserve fund for the purpose. The result having proved good, the government seized this opportunity for introducing amendments into the Convertible Bank Note regulations, in order to establish solidly the so-called elastic currency system.

From all that we have stated above regarding the history of paper money redemption and the establishment of the conversion system, one may imagine that the sudden changes produced in the national economy during this period brought about chaotic conditions in economic circles, and that the

economic development of the country was hindered thereby. The mere fact that the difference in value between specie and paper, which was as much as 70 *sen* in the year 1881, disappeared in 1886 may convince us of the importance of these economic effects especially on monetary circles and the prices of commodities.

Table C at the end of this chapter shows the effects of the restoration of the value of paper money on the prices of commodities, and it will be observed that these effects are just the reverse of those noted in the foregoing table showing the effects of the excessive issue of paper money on the prices of commodities.

As regards the index numbers for the prices of commodities reported by the Bank of Japan in the foregoing table, the reader is referred to Chapter V.

The changes in the purchasing power of currency as manifested in the prices of commodities became greater in and after 1881, the year in which the redemption of paper money was begun, as shown in the foregoing table; that is to say, the value of paper money rose with the progress of its redemption. We may say that in the year 1886, when the difference in value between specie and paper disappeared, the value of paper money came to be fixed and the prices of commodities entered a normal state. These changes in the value of currency brought about economic effects in all directions, but these effects were of course the reverse of those caused by the over-issue of paper money. With regard to imports and exports, there was an annual excess of exports over imports after 1882, ranging from 4,000,000 *yen* to 8,000,000 *yen*; and, on the other hand, there was an annual excess of imports over exports of gold and silver, amounting to 1,700,000 *yen* in 1882, 2,290,000 *yen* in 1883, 600,000 *yen* in 1884, and 3,290,000 *yen* in 1885. The rate of interest was meanwhile lowered throughout the country. The rate of interest on loans of from 100 to 1,000 *yen* in Tokyo, which was at least 15 per cent in 1881, was already lowered to 11 per cent in May, 1882, and to 9 5 per cent in January, 1883, and to 7.5 per cent in June, 1883.

Though there was later more or less rise, the rate was rarely above 11 or 12 per cent. With the lowering of the rate of interest, the prices of securities were gradually restored; the 7 per cent bonds, for instance, which were quoted at 65 *yen* in 1881, rose to an average price of 73.40 *yen* in 1882. The average in the two following years reached 83.90 and 93.40 *yen*, respectively, and the quotation in December of 1885 at last exceeded the face value.

The economic changes in the money market were as great as stated, and their extraordinary effects in all lines of the economic circle were indescribable. What were advantages to the creditors proved to be disadvantages to the debtors, and this led to successive bankruptcies. While living was made easier for the people who lived on salaries or wages, the fall in the prices of commodities caused disadvantages to the producers, and this resulted in industrial inactivity. Trade sank to a very low ebb, hard times prevailed throughout the country, and the people began to express their dissatisfaction with the administrative policies of the government. The economic circles, which by the ample issue of inconvertible notes once dreamed of prosperity and ran wild in extravagance and became prone to speculation, now suddenly sank into the deepest gloom, and this sad condition continued for a considerable time.

It took thirty-two years to complete the adjustment of the inconvertible notes, the first of which were issued in the days of the Restoration. Of these thirty-two years, the nine years beginning with 1877 and ending with 1885 were the term during which the economic effects of the overissue of inconvertible paper money were most extraordinary. It may be noted that those effects before the year 1881 and those after that year were just the opposite. Until the year 1881 the natural effects of the overissue of inconvertible notes were shown gradually, and after that year the natural effects of the adjustment of the inconvertible notes were exhibited. However, it must be noticed that it was no other than the result of this unnatural coinage system that the economic world, which

should have been peaceful, was thrown into utter disorder and many failures took place. By availing themselves of the opportunity of these economic changes, some people could benefit themselves, and though these changes also seemed to have done good to society in certain respects, yet it can not be denied that, generally speaking, the economic development was obstructed by this state of affairs to a degree unparalleled in the economic history of Japan. In thus dealing with the economic effects caused by war expenditures, and in seeing such grave effects on the money market, we can not but wonder at the seriousness of the question and the great magnitude of these effects.

Development of Monetary Organs and Spread of Credit Systems

We have already dwelt on the effects of the war expenditures of the Satsuma Rebellion on the money market, and incidentally we have explained the completion of a great reform in the monetary system of the country. We shall now see how this reform resulted in the development of various monetary organs. To determine to what extent the progress of these monetary organs was caused must mean in one way an investigation into the economic effects—especially the effects on the money market—of the war and armament expenditures.

As the work of adjusting the paper money was carried on gradually and the hard times were continuing so long, the people's minds, which were prone to speculation, now at last came to maintain a cautious attitude generally. Want of business prosperity naturally made room for saving power, which then gave rise to good habits of thrift and economy. Looking into the business conditions of the National Banks after the year 1882, we find that, notwithstanding the gradual falling of the rate of interest, there was considerable increase in the amount of deposits. With the resumption of specie payments for government paper money in 1886 there took place an industrial revival; a mania for railway undertakings also began, followed by a general recovery of business activity. In 1888 there was already a fear of a panic likely to be brought

on by this mania for new enterprises. But the potential energy of the nation, nourished for a long time, was powerful enough to cope with these circumstances, and after that time the bank deposits continued to increase, and the subscription for naval loans met with splendid success on three separate occasions. As the healthy development of the economic circles was in such an excellent condition, the imports and exports of the country were also in a satisfactory state, every year showing excess of exports over imports. Though this was due to the very advantageous position in which the country was placed in the exchange relations with the gold standard countries as a result of the great fall in the price of silver at the time, yet it is clear that this was attributable to the contraction in the amount of the currency, which made the situation suitable and perfectly ready for standing in a favorable condition with regard to foreign trade. In 1890, however, the various enterprises started before began urgently to require a large amount of capital on account of the rise in the prices of commodities and for other reasons, and this condition made money circulation very active and further led to a temporarily disordered state of the money market. The Bank of Japan then decided to raise the rate of interest, and the prices of stocks showed sudden falls, so that it was then feared that a panic was imminent. But the fear was fortunately removed before it became serious. In July, 1890, the rate of interest was lowered by the Bank of Japan and other banks, and the money market could resume its normal state. From that time until the outbreak of the Sino-Japanese War, steady and quiet progress was made in the money market.

As may be seen from what we have said regarding the general effect of the completion of the adjustment of paper money, on the money market the first signs of the development of real national economy were in this epoch, since it may be said that during this epoch all of the monetary organs in the country created prior to the year 1877 were completely reconstructed. We may also say that it was during this epoch that the ordinary banks, as well as the savings banks, were brought up and

developed, and that the extension of the uses of credit notes and negotiable instruments was effected.

All the National Banks were now changed to ordinary private banks, since they were deprived of the privilege of issuing paper money. Prior to this there was already a tendency for the private banks to come into prosperity. After the year 1876 many banking concerns were started under various company organizations, and by 1892 as many as four hundred and ten banks were either started or closed up. Especially in 1881 and 1882, when speculation was rampant, the establishment of new private banks was rife; but as they were all of little means, they could not compete with the National Banks. In 1890 the government enacted a number of bank regulations, simultaneously with the promulgation of the Commercial Code, by which it was fixed that the banks should be such establishments as receive deposits from the public and employ the fund in making loans and discounting bills. By the enactment of these bank regulations it was aimed to bring all the banks under a uniform and more efficient control, and the National Banks and the private banks were subjected to one and the same regulations. This unification of the banking system was the beginning of the successful development of the monetary organs of the country in after years. The number of ordinary banks at the end of 1892 was two hundred seventy, with an aggregate paid-up capital of 22,000,000 *yen* and having 27,000,000 *yen* as outstanding loans. With the enactment of the regulations for ordinary banks, those for the Savings Bank were also enacted and put into force during and after 1893. These Savings Bank regulations were issued because it was necessary to exercise reasonable control and put suitable restrictions on the numerous bank-like companies which had sprung up since 1882 and 1883, when thrift and economy came into vogue, making it their business to get money as bank deposits through various means and methods. At the end of 1893 the number of Savings Banks was twenty-four, with a nominal capital of 1,100,000 *yen* in all and savings deposits totaling 6,000,000 *yen*.

It is obvious that the development of banks of all kinds is connected with the extension of the uses of security paper and the development of credit notes. The object of amending the National Bank regulations in 1876 was to open up the methods of operating and utilizing the national loans, which had at that time reached already huge amounts. From that time the national loans continued to increase in amount year by year, and the uses of the loan bonds were also much extended. After 1886 the domestic market was so developed as to be able to digest an enormous amount of the 5 per cent Consolidation Loan bonds. With the progress of maritime and railway transportation, people came to adopt more and more the business organizations of the modern system, and joint stock companies came into vogue, with the result that the stock market began to prosper. At last, the Stock Exchange was established, and at the same time further improvements in the issues of commercial bills and cheques were effected. Prior to 1877 there was almost no circulation of bills, and the scholars were insisting upon the introduction of the western system of credit notes. After December, 1882, in which month the regulations for commercial bills were issued, a system of clearing bills was opened between the banks in Tokyo and in Osaka, and the circulation of bills came gradually into practice. However, it was only after the creation of the Bank of Japan and the opening of bill transactions that the system of clearing bills was completed and commercial bills came to be circulated generally.

Thus, it was not until 1889 that the Tokyo Clearing House was established and its clearing balances were settled by the Bank of Japan. The number of bills exchanged in 1893 between Tokyo and Osaka was 300,000, and they were valued at 210,000,000 *yen*.

Thus, we may say that about the year 1893 the monetary organs in their real sense of national economy were practically completed. The Bank of Japan now began to discharge its functions by appearing in the market like the great sun, having an enormous capital and the privilege of issuing bank notes,

followed by numerous stars, and the blood of capital flowing freely through the veins of credit notes. Thus, the monetary circulation was generally made smooth throughout the country. Indeed, the foundation of the present economic organs of the country was laid in the days after the year 1886, when many business enterprises sprang up and the monetary organs were put in order. Generally speaking, the developments prior to 1877 were only the preparations or experiments for the developments in this epoch. These preparations or experiments as viewed from the present day are all a history of failures, and they were no doubt useless for vigorous economical development. What taught us that these preparations and experiments were in vain were the economic changes or accidents attendant on the Satsuma Rebellion. The economic changes caused by the inconvertible notes issued at that time proved that such preparations and experiments should naturally be done away with. Such being the case, new foundations were laid afresh and a new system was begun. We may now say that the expenditures for the Satsuma Rebellion and the consequent economic disorder were of great significance in the country's economic history. While we must recognize that the economic disorder during the decade beginning with 1877 and ending with 1886 had wholly arrested our economic growth, and while we must wonder at the disastrous effects caused by the enormous expenditures for war, we must rejoice in the fact that our economic condition could follow the right path of progress after we had gone through such misfortune. Though the criticism is made by some that the policy taken by the government for the adjustment of paper money was too radical and sudden, since the dulness of the market and the general economic changes caused thereby were so serious, yet in our opinion the government of that time should not be too severely judged. The evil effects which one has brought upon himself must be removed by himself, and if surgical operations are necessary for that purpose he can not be blamed for having gladly received severe treatment with the sharpness of the surgeon's knives. We should rather say that

by utilizing the painful experience, improved economic organizations were developed, and thus we could convert a misfortune into a blessing. The economic changes caused by the Sino-Japanese War were the touchstones in testing for the first time the stability of the economic organizations thus formed. We shall find it interesting to look into the question whether these new organizations gave evidence of having sufficient resisting power against the events of the Sino-Japanese War.

From the Sino-Japanese War to the Russo-Japanese War

Payment of War Expenditures and the Money Market in War Time

The grand total of the war expenditures for the Sino-Japanese War was 233,000,000 *yen*. The main part of this was the 200,475,000 *yen* paid on the Special Account of Extraordinary War Expenditures, of which the disbursements amounted to 5,200,000 *yen* each in June and July of 1893, gradually increasing to 7,600,000 *yen* and 9,700,000 *yen* in August and September, respectively, and further increasing to monthly amounts of not less than 10,000,000 *yen* from October, 1894, to March, 1895, the greatest amount of 19,000,000 *yen* having been reached in November, 1894. From April, 1895, these disbursements gradually diminished to about 7,000,000 or 8,000,000 *yen*. The items of receipts to meet these defrayals were the proceeds from public loans, voluntary contributions to army and navy relief funds, voluntary contributions to war fund, treasury surplus, transfers from the Special Account of the War Indemnity, etc. Though at first we could make both ends meet by transferring 26,000,000 *yen* from the treasury surplus, the receipts fell short of the disbursements after September, 1894, in spite of the first flotation of loans. The subsequent proceeds from loans of 10,000,000 *yen* each in the months of April, May, and June of 1895 were still insufficient to meet the

expenditures, and straitened circumstances were being experienced. However, the third flotation of loans and the transfer from the indemnity, effected after March, 1895, gradually made our receipts equal our expenses. Of the above receipts, the funds absorbed from among the people were 116,000,000 *yen* of the proceeds from loans and 2,940,000 *yen* of the voluntary contributions to war funds and those to army and navy relief funds; and the rest were, as shown in the following table, the transfer from the National Treasury, loans from the Bank of Japan, and the war notes issued, the economic effects of all these on the money market having been very great:

DETAILS OF ACCOMMODATIONS MADE TO THE WAR FUND[a]

Year and month	Total amount to date of the war fund deficit	Amounts transferred from National Treasury	Loans from the Bank of Japan	War notes
1894	*Yen*	*Yen*	*Yen*	*Yen*
October	8,553,377	2,553,377	6,000,000	....
November	21,314,025	8,814,025	12,500,000	....
December	27,500,644	7,970,644	19,530,000	....
1895				
January	35,144,797	16,724,797	18,420,000	....
February	38,578,648	16,048,648	22,530,000	....
March	46,648,991	22,368,991	20,500,000	3,780,000
April	46,357,222	25,077,223	17,500,000	3,780,000
May	41,975,419	24,195,419	14,000,000	3,780,000
June	38,941,036	22,661,036	12,500,000	3,780,000
July	36,531,860	20,727,591	12,500,000	3,304,268
August	42,001,498	26,748,676	12,500,000	2,752,821
September	49,357,546	29,080,730	18,390,000	1,886,816
October	58,705,799	32,412,194	25,000,000	1,293,605
November	65,496,265	31,534,497	33,100,000	861,768
December	71,030,541	28,710,373	41,500,000	820,167
1896				
January	77,835,238	34,930,525	42,500,000	404,713
February	83,043,164	41,773,061	41,270,000	103
March	64,610,565	26,710,462	37,900,000	103
April	57,347,883	16,107,780	41,240,000	103
May	3,102,137	3,102,035	....	103

[a] Since there were no deficits prior to October, 1894, and after May, 1896, no figures are given.

As the deficits in the war expenditures of the Sino-Japanese War came to large amounts, the sums transferred from the National Treasury and borrowed from the Bank of Japan

also reached a large figure; the former often exceeded 20,000,000 *yen* and sometimes reaching as much as 40,000,000 *yen*, and the latter, which rarely exceeded 20,000,000 *yen* before the first half of 1895, often exceeded 40,000,000 *yen* in the latter half of 1895 and the first half of 1896.

We shall now proceed to consider the economic effects of these receipts and disbursements of the war expenditures for the Sino-Japanese War. In doing so, let us deal with those effects of the receipts derived principally from public loans and from the makeshift means of borrowing from the Bank of Japan and transferring from the National Treasury, and then with those effects of the disbursements or the scattering of funds among the people.

We shall not here state in detail the particulars about the conditions of the flotation of the war loans, but we may say that when, with the opening of hostilities, the raising of war loans was under contemplation, it was generally anticipated in monetary circles that the flotation would surely be at a high rate of interest and that pressure would be brought upon private undertakings. As a result of this, the public became very cautious; the rate of interest was raised accordingly and the quotations of securities were lowered. Therefore, as soon as the first war loan of 30,000,000 *yen* began to be raised on August 17, 1894, there occurred a wholesale decline in the stock market. Fortunately, however, the subscriptions to the loan proved to be extremely encouraging, and the applications for subscription reached two and a half times the amount asked. The second flotation of the war loan, in November, 1894, was equally successful. Looking into the changes in the prices of loan bonds and the rate of interest during the war, we find that, whereas the prices of the Consolidation Loan bonds on the Tokyo Stock Exchange ruled between 109 and 110 from January, 1894, to the outbreak of the war, they fell down to 100 after the raising of the first war loan, and further to 97 or 96 after the issue of the second war loan; after that, however, they gradually recovered and were maintained at about 100. As for the rate of interest in Tokyo,

it rose from 2.4 *sen* in January, 1894, to 2.8 *sen* in June, July, and August of the same year, after which the same rate continued without any change until July, 1895, when it returned to the pre-war rate. We may conclude from this that, though during the Sino-Japanese War the amount of funds absorbed from among the people by means of public loans reached the enormous figure of 80,000,000 *yen*, the effect was not so great as had been anticipated. The rate of interest and the prices of securities were not much changed, and the condition of the money market seemed to be free and unconstrained.

In order to see the effect on the money market of the loans from the Bank of Japan and the accommodations made to the war fund, we give the following tables, showing the amount of convertible notes issued by the Bank of Japan and the amount of currencies actually circulated:

As shown in the first of the two foregoing tables, the amount of convertible notes issued from just before the war until the end of the war remained generally at about 140,000,000 *yen*, but during and after September, 1895, it increased greatly until it reached 180,000,000 *yen* in December of the same year. Meanwhile, the specie reserve gradually decreased, and during and after June, 1895, the amount issued beyond limit greatly increased. During the war the government's

AMOUNT OF CONVERTIBLE NOTES AND CURRENCIES

Year and month	Amount of convertible notes issued	Specie reserve		Security reserve	Balance of note-issuing capacity	Issued beyond limit
		Amount existing	Increase or decrease as compared with June, 1894			
1894	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
March.....	141,270,549	82,649,964	....	58,620,585	4,773,333	....
June.....	141,736,358	79,632,988	....	62,103,370	1,302,091	....
September...	137,795,166	77,291,508	− 2,341,480	60,503,658	3,389,191	....
December ...	149,813,700	81,718,291	+ 2,085,303	68,095,409	....	4,197,549
1895						
March.....	135,224,654	72,367,888	− 7,265,100	62,856,766	1,522,516	....
June.....	143,083,663	64,885,149	−14,747,839	78,198,514	....	13,811,497
September...	156,897,783	68,250,119	−11,382,869	85,647,664	....	20,767,606
December ...	180,336,815	60,370,797	−19,262,191	119,966,018	....	55,083,148

AMOUNT OF CURRENCIES CIRCULATING

Year and month	Specie	Paper money	Total	Balance in Treasury	Amount actually circulating	Index number for prices of commodities, as reported by the Bank of Japan
1894	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	
March.....	51,610,221	179,261,061	230,871,282	47,043,622	183,827,660	125
June.....	52,252,649	178,621,176	230,873,825	44,019,370	186,854,455	126
September....	56,173,152	173,390,774	229,563,926	30,895,834	198,668,092	131
December....	62,711,242	185,000,044	247,711,286	16,624,102	231,087,184	133
1895						
March.....	66,146,112	169,545,546	235,691,658	19,315,256	216,376,402	135
June.....	67,358,072	176,361,325	243,719,397	15,834,918	227,884,479	132
September....	67,568,497	186,167,042	253,735,539	10,355,133	243,380,406	135
December....	69,739,986	213,262,825	282,000,811	11,521,794	270,479,107	140

energy was specially turned toward preventing the outflow of specie by making the convertible notes of the Bank of Japan chiefly circulate at the front, thus restricting the specie payment abroad. The result was that, out of the rough total of 200,000,000 *yen* disbursed as war expenditures, no less than 183,900,000 *yen* was disbursed in convertible notes, and hard money was very little used. On the other hand, the foreign trade, which showed an excess of imports over exports to the amount of 4,000,000 *yen* in 1894, showed, on the contrary, an excess of exports over imports of 6,000,000 *yen* in 1895, so that our balance of trade was favorable. At that time the attitude of the Bank of Japan was comparatively calm in the discharge of its important duties. As soon as the war opened, it raised the daily rate of interest on loans on June 8 from 1.9 *sen* to 2 *sen*, and further to 2.2 *sen* on July 26. This was purely a precautionary war-time measure taken by the bank to warn the public against making immoderate loans, and was never an ambitious policy for absorbing specie by availing itself of the exchange operations. The aim of this raising of interest was attained, as it directly affected the rates of interest in all parts of the country, the rate in Tokyo having risen by 0.3 *sen* from May to September. The Bank of Japan, which in this manner became cautious with the outbreak of hostilities, never altered the rate of interest until the restoration of peace, and consequently the gen-

eral market rate of interest also remained almost unchanged. What with this self-possessed action of the Bank of Japan, and with the favorable balance of foreign trade, the supply of specie during the war was generally ample and the issue of the convertible notes did not run to an extreme. But as stated previously, large amounts of loans were made from the Bank of Japan owing to the necessity of meeting the war expenditures, and at last, in the latter half of the year 1895, there came the inflation of the convertible notes and the diminution of the specie reserve. By referring to the three foregoing tables, therefore, we find that as the war fund deficit became larger the loans from the Bank of Japan or the amounts transferred from National Treasury also increased. It was only natural that with the large increase of the loans from the Bank of Japan and of the amounts transferred from the National Treasury there was accordingly an inflation of the currency. In the foregoing table giving the amount of currency actually circulating in the market, we find that this amount, which at the outbreak of the war in June, 1894, was about 180,000,000 *yen*, increased gradually after the restoration of peace in 1895, reaching over 243,000,000 *yen* in September, 1895, and 270,000,000 *yen* in December. That these increases were caused by the said increased issue of convertible notes, also by the abundant flowing of the currency in the National Treasury into the circulating market, is clearly shown by the foregoing table. Such an inflation of the currency gradually affected the prices of commodities, as is shown by the index numbers for the prices of commodities in the foregoing table. This in turn resulted in the gradual outflow of gold and silver abroad in the relations with foreign countries, as there was an excess of exports of specie to the amount of 7,000,000 *yen* in 1894 and of 21,000,000 *yen* in 1895.

To sum up, we may say that, though the expenditures for the Sino-Japanese War, as they amounted to large figures, seemed to cause sudden changes in economic circles at the time, the fact is that during the continuance of the war com-

parative calmness ruled in the money market, except for slight changes at the time of its outbreak. It was only after the war that various phenomena consequent upon the inflation of currency began to be experienced, the results of which will be explained in the following pages.

Preparations were quite thorough on the part of the government, the Bank of Japan, and economic circles generally, during the Sino-Japanese War, in order to preserve the tranquillity of the money market; and added to this the loyalty of the nation, stimulated by the outbreak of the war, brought about successful results in the raising of war loans, besides producing good effects in preventing the starting of unhealthy business undertakings. However, no one will deny that the successful development of the economic organizations of the country, accomplished by the adoption of drastic measures in the adjustment of paper money and the establishment of the real convertible system, was the chief factor in producing the comparatively free and unconstrained condition of the money market when it faced affairs of grave national concern. We should say that the foundations of the national economy laid in the decade following the year 1882 proved to be sufficiently strong in the first test to which they were exposed during the Sino-Japanese War.

Post-Bellum Economic Inflation and its Causes

A great economic expansion of an unprecedented nature took place after the Sino-Japanese War, which ended in a glorious victory for Japan. Let us now dwell upon this expansion and its causes.

The signs of this post-bellum economic inflation first manifested themselves in the bond and stock market, as may be seen from the following quotations of the Consolidated Loan bonds and some principal shares at the Tokyo Stock Exchange for "direct delivery."

As may be observed from the following table, activity in the stock market had already begun before the war ended. But it was after July, 1895, that the real activity set in, as from

July to December, 1895, all the shares rose steadily without any fall, the rise in the least case having been over 10 *yen* and in the largest case nearly 400 *yen* per share. Though the activity slackened in 1896 to some extent, the highest quotations of many of the stocks were recorded in May or June of the same year, and the general tendency was not at all weak. However, in the latter half of the year 1896, a gradual fall at last commenced. The rising tendency in the stock market, which lasted so long and went to such high degree, was accompanied by a mania for speculation. Thus, for instance, the transactions for "time bargains" at the Tokyo Stock Exchange, which never exceeded in amount 200,000 shares per month from the year 1894 to the first half of 1895, often exceeded 300,000 shares per month from the second half of 1895 to the first half of 1896, sometimes even reaching 500,000 shares per month.

QUOTATIONS OF STOCKS AND BONDS AT TOKYO

Items	Paid-up amount per share	January 1895	June 1895	December 1895	June 1896	December 1896
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Consolidated Loan bonds	100	96.93	98.15	101.73	100.21	98.18
Sanyo Railway	30	28.96	34.99	61.13	56.00 (50 yen paid up)	43.39
Kansai Railway	47	47.14	56.08	75.38	77.08	59.62
Hokkaido Colliery Railway	50	79.68	84.45	101.85	109.70	86.27
Nippon Yusen Kaisha	50	74.51	75.94	102.44	108.40	73.73
Kanegafuchi Cotton Spinning Co.	50	42.82	57.44	73.78	68.54	62.44
Tokyo Stock Exchange	50	225.52	273.13	621.43	819.64	350.32

The continued animation in the stock market, of course, caused a mania for industrial enterprises, and was followed by various projects for new undertakings and for increasing the capital of the existing concerns. Statistics concerning these schemes for starting new concerns in those days are lacking; but we have the following figures, which compare the actual number of the companies and the amount of their capital at the end of 1894 with those at the end of 1895 and at the end of 1896, showing the real increase of the newly established firms:

STATISTICS OF INDUSTRIAL ENTERPRISES

Year	Number of companies	Nominal capital	Paid-up capital
		Yen	*Yen*
1894	2,792	323,915,492	249,762,899
1895	3,222	410,661,411	289,002,341
1896	4,595	619,223,949	397,564,341
Increase at the end of 1896, as compared with the end of 1894	1,803	295,308,457	147,801,633

While the actual increase during 1895 and 1896 in the number of companies was thus over 50 per cent, as compared with that at the end of 1894, it was calculated at the time that the total capital involved in all of the new schemes contemplated in 1895 and 1896 would come up to the immense sum of about 1,200,000,000 *yen*. The lines of these new enterprises were chiefly in the railway, the banking, and the insurance business. The number of life insurance companies, which was only ten at the end of 1893, increased to twenty-nine by the end of 1896. The number of fire insurance companies increased to ten by the end of 1896, as compared with five at the end of 1893. The number of banks at the end of 1894 was seven hundred, with an aggregate capital of 52,770,000 *yen*, but it increased to one thousand and fifty-four, with an aggregate capital of 146,950,000 *yen*, by the end of 1896.

LOANS MADE BY BANKS

Period ending	Loans made by the Bank of Japan	Loans made by ordinary banks (fixed loans and overdrafts)
	Yen	*Yen*
December, 1894	36,601,797	59,178,194
June, 1895	44,057,254	69,099,085
December, 1895	64,018,141	89,165,458
June, 1896	58,024,573	112,967,873
December, 1896	91,300,947	157,200,254
Increase at the end of December, 1896, as compared with the end of December, 1894	54,699,150	98,042,060

This mania for new enterprises caused a press of business in monetary circles. The preceding table shows the increases at the time in the general loans made by the Bank of Japan and the loans by the ordinary banks.

Such an enlivened state of the money market led to over-issue of convertible notes and inflation of currency, which, as already stated, began to take place shortly after the war. The following comparative figures will show this increasing tendency:

INFLATION OF CURRENCY

Average at end of each month during	Amount of specie and paper money actually circulating in the market, obtained by deducting the balance in the National Treasury from the gross amount in circulation	Increase as compared with the year 1895	Amount of convertible notes issued	Increase as compared with the year 1895
	Yen	*Yen*	*Yen*	*Yen*
1895.....	235,189,013	....	147,918,518	....
1896.....	260,684,986	25,495,973	172,192,370	23,357,188
1897.....	280,562,237	45,373,224	186,412,207	38,493,689

With the inflation of the currency and the increase of the amount of issue of convertible notes, as shown above, there was a gradual rise in the prices of commodities. The index numbers of the prices of commodities based on the year 1887, as reported by the Bank of Japan, averaged 126 in 1894, became 135 in 1895, 145 in 1896, and went up to 161 in 1897, with a still further upward trend.

From all that has been stated above, a general idea of the post-bellum economic inflation may be had, and the animated state of monetary circles may be imagined. We shall now proceed to discuss the causes that brought about this state of affairs, touching upon their relations with the war expenditures and the post-bellum armament expansion expenditures.

The causes of the economic inflation after the Sino-Japanese

War are various and complicated. But there is no doubt that the awakening of the nation in consequence of victory in the war was the greatest motive power in causing this economic expansion; and it is quite true that the expectation that the Chinese indemnity would soon be transported home, thus supplying plentiful capital to our money market, brought about a reaction from a state of temporary cessation of all undertakings during the war to that of great industrial expansion immediately after the war. We must also take into account, as a chief contributor to this post-bellum economic inflation, the improved economic foundation of the country, as well as the fact that during the war every precaution was exercised by the people in general, so that the national resources were amply fostered and the economic development was carried through, enabling the country to make this post-bellum expansion. In order to show, for instance, how capital was being hoarded during the war, we give the following figures showing the increases of bank deposits and postal savings:

INCREASES OF BANK DEPOSITS AND POSTAL SAVINGS

Period ending	Deposits at the cooperating banks in Tokyo	Deposits at the cooperating banks in Osaka	Postal savings
	Yen	*Yen*	*Yen*
December, 1893	36,965,752	10,514,534	24,815,986
June, 1894	39,259,690	10,453,415	26,569,325
December, 1894	40,374,640	10,294,162	24,962,459
June, 1895	45,017,866	12,387,187	26,275,675

The economic inflation after the Sino-Japanese War happened on such foundation and in high national spirits as above described, but it was characterized by a sickly nature; the symptoms were not reassuring and the reactionary effects were disastrous. It was apparent that it was beyond the economic resources of the nation to meet such an extravagant and sudden demand for capital. The aforesaid activity in the stock market, the sudden increase of bank loans, the craze for speculation, the inflation of currency, and the mania for new

enterprises were all of an unhealthy nature. The anomalous conditions in financial circles, which will be dealt with farther on, were the natural results of this unhealthy economic expansion.

Our historical investigation must now go into the causes that gave rise to such an unhealthy economic expansion. Some attribute it to the lowering of the rate of interest, which was effected by the Bank of Japan immediately after the war and which gave an impulse to the mania for new enterprises; others ascribe it to the increase of convertible notes consequent upon the expansion of the security reserve of the Bank of Japan; and still others say it was due to the system of keeping specie reserve abroad, which system was inaugurated at this time by the government's allowing the Bank of Japan to issue convertible notes against the reserve of a part of the Chinese indemnity deposited with the bank. All three of these opinions are correct, but none of them can adequately explain all of the causes in question. The supporters of these opinions take up and explain the single fact of the unreasonable inflation of the currency, and they attach too much importance to one particular cause and are therefore unable to make a sufficient explanation. Of course, we are at one with them in recognizing that the inflation of the currency brought about this unhealthy economic expansion, but, on the other hand, we believe that in addition to the question of the single matter of the convertible notes policy there is much to be investigated thoroughly in this connection.

The loose policy pursued by the Bank of Japan after the war was a reflection of the government's economic policy, and the bank can not be held solely responsible for it. We may say that the expansion of the security reserve for the convertible notes was made in compliance with the demand of economic circles, and that it must rather be regarded as an effect of the unhealthy rise of new enterprises. Moreover, the inauguration of the system of keeping specie reserve abroad was due to the government's own convenience, and was more properly a measure rendered necessary by the pressure of finan-

cial needs. We may conclude that there were other causes for such a state of affairs, because of the fact that, since the premature growth of the economic circles was unable to cope with the expansion of the financial administration, the monetary circles received too great a pressure, and the money market was thrown into a chaotic condition by the overflow of unproductive capital.

The amount of the public loans raised to meet the expenditures for the Sino-Japanese War reached 120,000,000 *yen*. Moreover, in accordance with the various great post-bellum financial schemes, a considerable increase of taxation was effected and many public loans were raised. All these immense funds absorbed from the people were first centralized in the National Treasury; and it is unnecessary to say that, when these funds were again going out into the market, great difficulties were encountered in maintaining an equilibrium of receipts and disbursements. In order to suit financial convenience, therefore, the policy of the Central Bank had always been to change without reference to the overflow of currency, with the result that, as shown in the foregoing table, the inflation of currency was brought about. In view of all this, we may reasonably conclude that the original cause of the policy adopted by the Bank of Japan was in the pressure of government finance brought to bear upon the monetary circles. Almost all of the funds disbursed as war expenditures and post-bellum administrative expenditures were spent unproductively; that is to say, this immense capital was consumed mostly in building barracks, warships, and schools, in the administrative expenses of Formosa, and in the organization expenses of the iron foundry, and only a small part was invested in railways and other productive works. Moreover, the huge sum of indemnity money, the coming of which had been so enthusiastically expected in economic circles, was almost wholly converted into warships, fortresses, and batteries. It was not strange that all these funds spent for unproductive purposes, so to speak, overflowed into every quarter of society, together with funds of the same nature, such as rewards, interest on

national loans, etc., and it was but natural that these moneys in turn should be consumed in an unproductive manner. Moreover, inasmuch as funds of such a floating nature had no proper place to settle down during the two years of the war, it was inevitable that, as soon as the war ended, they should be directed into all sorts of speculative undertakings; and it may be said that various post-bellum industrial enterprises arose with a view to the settlement of all this floating capital. It is now clear that this post-bellum economic inflation was quite weak and irresolute in its character and was conducive to useless expenditure of capital, and that this led to future straitened circumstances.

Anomalous Conditions in Financial Circles

As narrated in the preceding pages, the post-bellum economic inflation was of a very unhealthy character. Its serious effects came to light during and after the year 1897, and were made more serious by the outbreak of the North China Disturbance. The capital which had long been floating was thus settled by the post-bellum industrial expansion, with the result that a still greater need of capital was caused. Moreover, as the prices of commodities, which had risen by the inflation of currency, continued to be high, imports exceeded exports year after year, and there was a continual outflow of specie abroad. At length, an unprecedented stringency of the money market was produced. The following figures may serve to illustrate these circumstances.

The annual amount of paid-up capital invested in various companies was as follows:

Year	*Yen*
1896	95,664,559
1897	135,002,845
1898	89,154,081
Total	319,821,485

The annual increase of loans made by various banks (amount of loans outstanding at end of year) was as follows:

Year	Bank of Japan	Ordinary banks	Savings banks
	Yen	*Yen*	*Yen*
1896	91,300,947	157,200,254	8,088,206
1897	104,973,122	241,899,875	16,569,899
1898	84,375,651	294,192,883	23,576,480

Thus, the amount of paid-up capital aggregated more than 300,000,000 *yen* for the three years, and the demand for capital, as indicated by the annually increasing loans of the banks, became very great.

On the other hand, the balance of foreign trade and the relation of the amount of convertible notes to the prices of commodities was as follows:

Year	Excess of imports over exports of commodities	Excess of exports over imports of specie
	Yen	*Yen*
1896	53,831,714	27,543,323
1897	56,165,693	62,247,550
1898	111,748,404	44,423,699[a]

[a] Excess of imports.

Year	Average at end of month of Bank of Japan convertible notes	Average at end of month of Bank of Japan specie reserve	Index number of the prices of commodities, as reported by the Bank of Japan (1887=100)
	Yen	*Yen*	
1896	172,192,370	93,474,894	145
1897	186,412,207	106,953,073	161
1898	185,578,742	80,474,376	170

The excess of imports over exports of specie in the year 1898 does not correspond with the balance of trade in the same year, and this is explained by the fact that in that year some of the indemnity money was received.

The need for capital was thus pressing, specie became scarce, and the supply of capital was gradually obstructed. This

caused a great contraction in the money market and a sudden rise of the rate of interest. At the same time, falls in the quotations of securities, especially of stocks, were observed. The following tables will demonstrate this state of affairs:

RATES OF INTEREST ON LOANS AND DISCOUNT

Half-year ending	Bank of Japan interest rate on loans	Lowest interest rate on loans in Tokyo	Lowest discount rate in all parts of country
	Sen	*Sen*	*Sen*
June, 1896	2.00	2.28	2.76
December, 1896	2.10	2.58	3.05
June, 1897	2.30	2.59	2.97
December, 1897	2.50	2.86	3.17
June, 1898	2.70	3.06	3.40
December, 1898	2.50	2.75	3.22

QUOTATIONS FOR "IMMEDIATE DELIVERY" OF SOME PRINCIPAL STOCKS ON THE TOKYO STOCK EXCHANGE

Month and year	Sanyo Railway[a]	Kansai Railway[b]	Hokkaido Colliery Railway[b]	Nippon Yusen Kaisha[b]	Kanegafuchi Cotton Spinning[b]	Tokyo Stock Exchange[b]
June, 1896	56.00	77.08	109.70	108.40	68.54	819.64
June, 1897	45.72	57.13	85.72	56.13	56.78	313.88
December, 1897	45.55	53.30	93.95	52.89	42.21	167.04
June, 1898	45.95[c]	46.74	80.96	45.98	41.58	119.64
December, 1898	52.85	51.15	89.81	55.69	41.42	184.66

[a] 30 *yen* paid up. [b] 50 *yen* paid up. [c] 40 *yen* paid up.

We may judge from the foregoing figures that the money market during the period from June, 1896, to June, 1898, experienced gradual tightening to a serious extent.

In 1898 matters became so much worse that a panic seemed imminent. At last, the government bought up from the market government loan bonds to the nominal amount of about 38,000,000 *yen* to relieve the prevailing distress, and also subscribed for the debentures of the Hypothec Bank of Japan and instructed the bank to make loans to industrial companies. Moreover, by raising foreign loans to the amount of 100,000,000 *yen* it aimed to secure a large supply of capital for the market. The fact that such further steps for replenishing

capital were taken by the government, in spite of the receipt of the indemnity money to the amount of 59,000,000 *yen* in 1898 and 34,000,000 *yen* in 1899, which made an ample supply of capital, may show how extremely stringent the money market was at the time. The importation of foreign capital was then much welcomed by the public as a fit relief measure for the economic distress. It is our opinion, however, that, though by the importation of this unproductive capital the economic community was barely saved from an impending catastrophe, a superfluity of floating capital was again caused thereby, and that it led, as usual, to a vain boom in industrial circles. Under these circumstances it is not surprising that the money market, which became easier in the year 1899, when there were indications of an industrial revival, was again thrown into a state of depression in 1901.

The post-bellum financial anomaly became most serious in 1900 and 1901. This was due to the fact that, when the financial circles seemed to recover a little in 1899, there arose the North China Disturbance in 1900, and that, in order to raise the funds needed in this affair, large loans were obtained from the Bank of Japan, and, besides, increases of taxation were effected. To enumerate some of the symptoms of this anomalous condition, we may mention that in 1900 and until September of the next year, excepting November, 1900, and May, 1901, there were monthly excesses of imports over exports, amounting to more than 10,000,000 *yen* in many months. This was followed by a great outflow of specie, as in 1900 the excess of exports over imports of specie amounted to 45,000,000 *yen*. Then, there was, of course, a sudden decrease in the supply of specie, as the specie reserve, which at the end of 1899 amounted to 100,000,000 *yen*, came down to 66,000,000 *yen* in January, 1901. We have seen the issue beyond limit of the convertible notes in every month of 1900 and 1901, that in January, 1900, being 24,000,000 *yen* and that in December of the same year 41,000,000 *yen;* and even in 1901 this excess issue was about 20,000,000 *yen*. Prices of commodities, whose index numbers, based on the year 1887, as reported by the

Bank of Japan, were then from 170 to 190, steadily continued to rise. These things led the Bank of Japan to resort to severe measures of raising the interest as many as six times during and after July, 1899, the rate on loans at 1.7 *sen* having been raised to 2.7 *sen* by July of the year 1900.

In the midst of these straitened circumstances, the North China Disturbance arose, and the economic world was terrified in the extreme. The following stock market quotations after the year 1899 are the reflection of this panic-stricken state of affairs:

STOCK EXCHANGE QUOTATIONS, DECEMBER, 1899–JUNE, 1901

Month and year	Sanyo Railway[a]	Kansai Railway[b]	Hokkaido Colliery Railway[a]	Nippon Yusen Kaisha[a]	Kanegafuchi Cotton Spinning[a]	Tokyo Stock Exchange[a]
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
December, 1899	53.85	45.30	97.04	64.41	54.07	204.86
June, 1900	51.10	36.97	81.26	58.84	40.92	162.28
December, 1900	52.40	37.79	76.51	64.27	37.99	143.21
June, 1901	51.60	34.89	68.42	64.55	29.82	114.87

[a] 50 *yen* paid up. [b] 47 *yen* paid up.

As the hard times due to the scarcity of capital in economic circles were nearing an end, after 1900 many banks suspended payment, and the generally cautious attitude of the money market continued to exist. At length, when on April 16, 1901, there was a fearful run on the banks at Osaka, the money market was utterly ruined. This was the greatest disaster ever recorded in the monetary history of the country. This run was made on almost all of the principal banks in Osaka, and deposits were drawn out to the amount of 21,500,000 *yen* in twenty days. All the Kansai districts, the Shikoku, as well as Kyoto and places eastward up to the Province of Mikawa, were thrown into the same troubled condition. Hereupon, commercial and industrial calamities became very serious, and many bankruptcies occurred among the import and export merchants, dealers in coal, foreign piece goods, matches, etc. The destruction of the credit system at this time could be seen from the increase in dishonored cheques and bills. The annual number of these bad cheques and bills, which was 35 in

1896, 101 in 1897, and 146 in 1898, increased to 1,305 in 1900 and to 606 in the first four months of 1901. Though in May, 1901, the crisis was almost over, economic stagnancy then set in, both consumption and production declined, and economic circles could do nothing else than await the healing of the wounds they had received. This was the two-year economic depression experienced just before the outbreak of the Russo-Japanese War. Thus, the vicissitudes of monetary circles consequent upon expenditures for the Sino-Japanese War were generally determined, and beginning with the year 1903 the market in general resumed its normal state. Nine years elapsed before the economic effects of the Sino-Japanese War were passed, and we wonder at their persistence, even though it was partly due to the outbreak of the North China Disturbance.

Adoption of the Gold Standard and Increase of Monetary Organs

We shall now say a few words regarding the great coinage reform in this country and the new organization in our monetary system. The former was accomplished by the utilization of the indemnity money received from China, and the latter was one of the post-bellum administrative measures. They may be said to have been the by-products of the war expenditures, and are facts which must be noted by those who study the history of the money market of the country.

The adoption of the gold standard was a long-pending question, which was left unaccomplished owing to the lack of means of absorbing the gold reserve. The unexpected receipt of the Chinese indemnity seemed to offer the desired opportunity, and the system was at last adopted. The new system went into effect in March, 1897, and from that time the country enjoyed considerable convenience in its international monetary relations, among which the facility of inviting capital from other countries after the year 1899 may be counted as the most important. There is no doubt that the benefit conferred upon the country by this coinage reform was very great.

The government also carried into practice, after the conclusion of the war, its long-cherished desire of founding real

estate banks; and at last came the establishment of the Hypothec Bank of Japan and of one agricultural and industrial bank in each of the prefectures throughout the country. By these new monetary organs the immovable properties of the country were now able to be converted into negotiable instruments in the money market. Next to the above-mentioned banks, the establishment of a kind of movable properties bank in 1901 demands our attention. It was called the Industrial Bank of Japan, and its object was to serve as an intermediary in subscribing to the national loans and industrial stocks and bonds. The Bank of Formosa was established in 1900 as a central financial organ in the newly acquired insular territory. Thus, three new and significant institutions were added to the financial organization of the country.

From the Russo-Japanese War to the Present Time

Payment of War Expenditures and the Money Market in War Time

The expenditures of the Russo-Japanese War aggregated 1,860,840,000 *yen*, of which the amount properly belonging to the Special Account of Extraordinary Military Expenditures was 1,508,470,000 *yen*. In order to see the effects of these expenditures on the money market, let us first of all refer to Tables D and E on pages 216–17 and 218–19.

According to these tables, we find that, though at the commencement of the Russo-Japanese War the purchases of munitions amounted to a great deal, the monthly disbursements as military expenditures were limited to 20,000,000 *yen*, or at the most to 40,000,000 *yen*, owing to the yet small number of troops sent to the front. After August, 1904, the monthly expenditures increased to 50,000,000 *yen*, or at the most to 70,000,000 *yen*, gradually to decrease after the restoration of peace. The average daily expenditure was about 1,000,000 *yen* in May, 1904, and reached 2,305,000 *yen* in August of the same year, after which it ranged between 2,000,000 and 2,700,000 *yen*, until in 1906 it began to decrease

largely. The receipts, even after the commencement of the war, were not large until October, 1904, and when the receipts of over 100,000,000 *yen* came to be obtained in each of the four months from May to August, 1906, we could at length make both ends meet. Though in the special Account of Extraordinary Military Expenditures we see an excess of more than 200,000,000 *yen* of receipts over expenditures, we must note that during the war we were always very short of war funds. Thus, the accommodations made to the war fund were necessary, as shown in Table E at the end of this chapter,[1] in which we see that at first the accommodations were chiefly in the nature of transfers from the National Treasury and loans from the Bank of Japan and later in war notes and treasury bills. The treasury bills ranked first, amounting to more than 100,000,000 *yen* from the end of 1905 to July, 1906; the war notes ranked second, amounting to 96,000,000 *yen*; and the loans from the Bank of Japan ranked third, amounting to 92,000,000 *yen* in February, 1904.

In order to see the effects of the special account of Extraordinary Military Expenditures on the money market, we must consider the amounts that were absorbed directly from the money market. To these amounts belong 434,880,000 *yen* of the receipts from the Exchequer Bonds raised five times in all, the proceeds of 189,060,000 *yen* from war loans, the receipts of 399,490,000 *yen* from twice-increased taxation, and 2,331,076 *yen* of voluntary contributions to the war fund, or 1,025,780,648 *yen* in all. To the above must also belong the treasury bills issued and the loans made from the Bank of Japan. Thus, the monthly amounts absorbed from the money market were at least 38,000,000 *yen* or at the most 210,000,000 *yen*. Now, as regards the items of expenditure, they were very numerous, as explained in Part I of this volume; and as their monthly amounts exceeded 60,000,000 *yen*, as already seen in the beginning of this section, it may easily be supposed that their receipts and disbursements caused no little disturbance in the money market.

[1] *Post*, pp. 218–19.

We shall not here go into the details of the loans raised on account of the Russo-Japanese War, but an idea of the general condition of the market at the time may be gathered from Table F,[1] which shows the results of the issue of Exchequer Bonds, which were the principal loans raised in the home market on five occasions.

We may note from the above that as the issue of Exchequer Bonds was repeated the conditions were such as to be disadvantageous to the government, and the proportion of the net proceeds to the amount raised became smaller and smaller. Generally speaking, however, the result of the flotation was successful throughout the five issues, although the number of applications above issue price gradually decreased. This may seem to prove that the national wealth was ample beyond expectation, but we must not overlook the fact that the whole nation was at that time imbued with such intense feelings of loyalty and patriotism that upon announcement of the issue of Exchequer Bonds it came forward in response and, aided by the strenuous efforts of the central and other banks, made the issue a brilliant success. Thus, patriotism contributed largely to the success of the issue of the Exchequer Bonds. But it was not only in this direction that the nation's preparedness was exhibited, for it was seen also in the increase in the amount of national savings. During the war the general deposits at the Bank of Japan were increased by millions of *yen*, and the deposits at the banks in the chief localities of the country underwent an increase of 85 per cent, or 370,000,000 *yen*, from October, 1903, to December, 1906. In the same period the postal savings showed an increase of 115 per cent, or 35,000,000 *yen*. Table G[2] at the end of this chapter sets forth these increases.

That such increases took place in bank deposits and postal savings was mainly due to the efforts made during the war, both by the government and by certain sections of the public, especially those in educational circles, to encourage thrift and economy, and also to the efforts of the postal authorities, who

[1] *Post*, p. 220. [2] *Post*, p. 221.

by raising the rate of interest on the postal savings aimed to accumulate whatever moneys were scattered over the country. A considerable part of the funds, which were once disbursed as war expenditures, was in this way converted into such deposits and savings, and it is admirable that the nation could show such extraordinary economic power at the time. This state of affairs produced a good effect on the security market and the bank interest rates. Though the Bank of Japan raised the rate of interest on loans by 0.2 *sen* in July, 1903, owing to the stringency and disquietude of the money market experienced from the beginning of the same year, and raised it by another 0.2 *sen* in December of 1904, in which year the war broke out, by way of warning the monetary circles the rate was left unchanged for the following six months; and on June 16, 1905, as the termination of the war was almost certain and business activity began again, a third raising of interest by 0.2 *sen* was effected, yet the rate then stood at 2.3 *sen*, which was indeed the lowest in the four years since March, 1900. The rates of interest throughout the country were nearly in the same condition. Thus, the daily rate on loans, which was before the war 2.2 *sen* in Tokyo and 2 *sen* in Osaka, was raised only to 2.3 *sen* and 2.2 *sen*, respectively, with the outbreak of the war. These rates remained unchanged until July, 1905, when they were raised by 0.2 *sen*, or, at the most, 0.4 *sen*, but this was done in response to the aforesaid third raising of interest by the Bank of Japan and was intended rather as a warning against the post-bellum industrial mania. Turning to the stock market, we find that comparative calm ruled throughout the war time, and no serious depression was observed. Of course, the nervousness of the stock market was shown in its fluctuations every time a war report arrived or a war loan was floated, but no abnormally high or low prices were recorded. Even the stocks of the Tokyo Stock Exchange, which may be called the barometer of the stock market, were quoted during the war at monthly average prices ranging between 182 *yen* in June, 1904, and 148 *yen* in January, 1905.

We have seen that the demand and supply of capital during

the war were regulated in a comparatively smooth manner, and we must now see whether the currency system was seriously affected by this unprecedented event in the history of the Empire, since this is an important question to be considered, especially in the case of a debtor country like Japan. Let us first of all glance at the figures indicating the balance of foreign trade:

BALANCE OF FOREIGN TRADE

Year	Exports	Imports	Excess of imports over exports
	Yen	*Yen*	*Yen*
1903	289,502,442	317,135,517	27,633,075
1904	319,260,894	371,360,739	52,099,845
1905	321,533,610	488,538,017	167,004,407
1906	423,754,892	418,784,108	4,970,784[a]

[a] Excess of exports.

We see that during the war the increases in imports were great, a decrease of 70,000,000 *yen* having occurred only in the year 1906. It was fortunate for our economic community that trade remained active, in spite of the fact that navigation was rendered dangerous by the appearance of the Vladivostok Squadron and the Baltic Fleet. But the considerable excess of imports over exports, which amounted to some 246,000,000 *yen* for the first three years in the foregoing table, was due to the necessity of getting from abroad the various materials urgently required for the prosecution of the war. Indeed, the expenditures which belonged to the payments abroad reached 233,000,000 *yen*, viz., 177,000,000 *yen* for the army and 56,000,000 *yen* for the navy.

The balance of foreign trade being as stated above, the next thing to consider must naturally be the difficulty of maintaining the specie reserve. At the commencement of the war the government gave the most careful attention to the maintenance of the specie reserve by economizing the use of foreign goods, by restricting the treasury payments abroad, and by causing the Yokohama Specie Bank to effect an extensive pur-

chase of drafts in the export trade and to limit the exchange transactions in the import trade. The government, moreover, undertook to raise funds by means of large foreign loans. In the expenditures of the Russo-Japanese War some 500,000,000 *yen* were met by foreign loans. It must not be forgotten that the funds raised by these foreign loans formed in reality an important factor in the maintenance of the specie reserve. The repayment of the loans made by the Bank of Japan, effected by means of these foreign loans, reached 304,000,000 *yen* at the end of June, 1905, and the amount of the specie sold to the Bank of Japan came up to 329,000,000 *yen*.

Further, the government endeavored to keep the foreign exchange favorable to this country by a cautious handling of the funds obtained through foreign loans. The government also issued war notes at the seat of war and made them temporary currency by economizing in the use of hard specie money. These war notes rose in credit at the theater of war, and the amount of circulation at the end of each month exceeded 90,000,000 *yen*.

The government's endeavors to maintain the specie reserve, in spite of the enormous war expenditures, thus proved successful, and our convertible note system was fortunately kept intact. Consequently, no destruction of our currency system resulted from the expenditures for the Russo-Japanese War, which were the gravest economic burden ever borne by the nation. The economic effects of these war expenditures, therefore, are not to be sought in a direction such as the issuance of inconvertible notes, but in the effects caused by foreign loans.

Thus, the maintenance of the specie reserve was successful, but there can be no doubt that the payment of the war expenditures brought about an inflation of the currency. Though there was general facility in the accommodation of funds, and the importation of foreign capital was successful, yet the loans made by the Bank of Japan amounted to a great deal. As an abundance of capital may generally mean a phenomenon appearing in the market through the channel of the Bank of

Japan, it naturally follows that the amount of the bank's notes was inflated. The following table gives the amounts of Bank of Japan convertible notes and specie reserve:

CONVERTIBLE NOTES AND SPECIE RESERVE OF BANK OF JAPAN

Date	Convertible notes	Increase or decrease compared with amount on Oct. 1, 1903	Specie reserve	Increase or decrease compared with amount on Oct. 1, 1903
	Yen	*Yen*	*Yen*	*Yen*
December 31, 1903	232,920,563	27,430,530	116,962,184	882,389
March 31, 1904	213,149,185	7,659,152	92,127,709	23,952,084[a]
June 30, 1904	232,072,757	26,582,724	92,793,834	23,285,959[a]
September 30, 1904	239,964,281	34,474,248	110,002,094	6,077,699[a]
December 31, 1904	286,625,752	81,135,719	83,581,226	32,498,567[a]
March 31, 1905	251,202,479	45,712,446	102,163,093	13,916,700[a]
June 30, 1905	265,514,474	60,024,441	107,732,010	8,346,783[a]
September 30, 1905	262,690,683	57,200,650	104,049,186	12,030,607[a]
December 31, 1905	312,790,819	107,300,786	115,595,026	484,767[a]
March 31, 1906	269,091,983	63,601,950	122,732,662	6,652,867
June 30, 1906	274,576,279	69,086,246	143,621,797	27,542,002
September 30, 1906	277,502,732	72,012,699	146,117,315	30,037,521
December 31, 1906	341,766,164	156,276,131	147,202,125	31,122,331

[a] Decrease.

According to the above table, the inflation of convertible notes is found to be very remarkable; the notes, which amounted to less than 210,000,000 *yen* in October, 1903, averaged more than 230,000,000 *yen* through the year 1904, more than 250,000,000 *yen* through the year 1905, and went up to more than 270,000,000 *yen* in 1906, showing an average increase of 20,000,000 *yen* per annum in these three years. In the meantime, the specie reserve gradually decreased up to the close of the year 1905, but it increased again in the ensuing year. This, as before mentioned, was due to various measures taken for the maintenance of the specie reserve, and more particularly to the importation of foreign capital on a gigantic scale by means of foreign loans.

The inflation of currency should cause prices to advance; but as the effects can not appear immediately, no extreme rise in prices seems to have taken place during the war. If we consider the advance of prices on the basis calculated from

October, 1903, on, according to the index number of prices reported by the Bank of Japan, we find that in February, 1904, the number stood at 104.47 and in March at 105.07, while afterward it declined somewhat and stood at 100.78 in June of the same year. The highest point was 115.66 in August, 1905, and 116.76 in March, 1906, which could not, as yet, be looked upon as an abnormal rise.

The war expenditures and their effects upon financial circles, as already stated, may be considered to have been calm and to have had no bad consequences. However, our attention must now be called to the direction in which all the funds disbursed as war expenses flowed out. The enormous amounts of foreign capital imported and the private productive capital specially absorbed by the National Treasury were all lavishly distributed throughout the country; and, in consequence, though some of the funds thus spent returned two or three times to the Treasury, most of them enjoyed a large circulation at any rate, finding their way to various parts of the Empire. Yet no new enterprises were undertaken with the funds distributed, and there prevailed a great general conservation in the enterprising circle, which was then in a rather quiescent state. Therefore, in 1906, an enormous amount of capital was floating among the people, as evidenced by the increasing bank deposits and postal savings during the war. Now, let us see in which direction the enormous amount of idle capital made its way.

Post-bellum Mania for New Enterprises

Along with the victory in the war, the enterprising spirit of the public, so long kept down, was roused to full action. By dint of the extreme thrift and perseverance which the nation had doggedly maintained during the war, the funds for industrial enterprises were now abundant, and prices had risen to some extent, while the foreign loans of 500,000,000 *yen* contracted after the war added to the available funds. Many enterprising people or men of business ability were trying their fortune in various undertakings, now that the govern-

ment had carried out the nationalization of private railways, and conditions in general were favorable. The war having closed with honorable victory, the fresh self-consciousness felt by the nation as one of the first-class Powers in the world did much to make action more energetic and vigorous in all quarters. At this juncture, the enterprising circles could not stop without engaging in brilliant activities, and general views of these activities will now be related in order to elucidate the effects of the enormous expenditures for war and armament. The first symptom of the post-bellum activity appeared in the stock market, where the boom was most significant in railway shares, due to the government's plan to effect railway nationalization immediately after the war. This activity was also seen in the stock of various industrial companies interested in such military supplies as woolen fabrics, flour, etc., because these companies, on account of the war, had gained increased profits in their lines of industry. We have no space here for dealing in detail with the conditions of the stock market at the time, but Table H[1] is given to show the quotations of a few principal stocks for "immediate delivery" on the Tokyo Stock Exchange.

In September, 1905, when peace was restored and the national dissatisfaction with the conditions of peace reached its climax, the market became exceedingly dull. However, it showed a gradual recovery, and the highest quotations were recorded from the close of the year 1906 to January of 1907. Table I[2] gives a comparison of the quotations on September 4, 1905, when the peace treaty was concluded, with those on January 18, 1907, when the stock market arrived at the zenith of activity.

It will be noted that in less than half a year there was an enormous advance of 221 *yen* in the Kanegafuchi Spinning stock and of 603 *yen* in the Tokyo Stock Exchange stock and the profit basis, or actually reckoned rate of gain, on the various shares was, with a few exceptions, far below 5.5 per cent, which was the rate of interest on fixed deposits in Tokyo in

[1] *Post*, p. 222. [2] *Post*, p. 223.

January, 1907. The stock market was then at the height of its excitement.

Activity in the stock market naturally leads to a fervent desire for new enterprises. For a few months after the war the bankers were still cautious, and the people, taking warning from the bitter experiences they had had after the Sino-Japanese War, acted with deliberation. Consequently, complaints of industrial dulness began to be heard. In June, 1906, however, when the boom in the stock market showed no signs of abatement, the mania for new enterprises increased suddenly, beginning with the subscriptions to the stock of the South Manchurian Railway Co. For the 99,000 shares, for which the company invited public subscriptions, there were 106,730,000 applications, or 1,078 times the number invited. The flotation of stock for numerous new concerns proved to be very successful in almost every case, the subscriptions having always reached more than one hundred times the amount issued. Capital could be instantly gathered, no matter what the business was, if the shares were issued in the name of persons looked upon as able business men. To illustrate this wild trend, we give Table J [1], showing the numbers of companies started, with amounts of capital paid up, for three years, 1905–1907.

In the above-mentioned table the amount of capital in the transportation business is seen to have decreased during the three years, due to the carrying out of railway nationalization. In all other activities we note a considerable increase, and it is especially evident in the case of industrial and commercial companies. The kinds of enterprises started after the Russo-Japanese War were electric light and power supplying, flour and fertilizer making, etc., which were quite different from those in banking, insurance, and transportation, that prospered after the Sino-Japanese War. These were characterized by being gradually planned on a larger scale, obviously tending toward centralization in each particular branch of industry.

The activities in the stock market, as well as in new enter-

[1] *Post*, p. 224.

prises, were so keen and flippant as to cause the people in general to turn toward speculation. Many "irregular customers" appeared among those frequenting the stock market, and some who succeeded in making enormous fortunes at a stroke took to sumptuous living and bore themselves haughtily in the world. There even appeared many simple farmers who deserted their hereditary occupations and invested their funds in speculation. At last, however, the time came when the temporary and unstable activity caused a reaction. On January 19, 1907, an ominous sign of darkness had scarcely appeared in the stock market when the values of all stocks abruptly plunged down with alarming rapidity, resulting in the ridiculous failure of those interested in the stock market, and in less than three months the stocks all depreciated below their values quoted in 1904. This abnormal depreciation naturally produced an effect upon industrial enterprises, and the vanishing of bubble companies caused many bankruptcies and nation-wide distress.

The post-bellum economic action and high-spiritedness of the people were significant and wonderful, and this, as already explained, could not be regarded as without reason. But it is obvious that this economic expansion, which was so sudden and unstable, must have been principally attributable to the superabundance of floating capital scattered during the war. When the large sums of money found their way to every part of the country, they ought properly to have been turned to account in the most suitable or productive manner. Unfortunately, however, the people did not care to rely upon such a measure and finally gave themselves over to unsound speculations and risky enterprises. The same economic phenomenon was experienced after the Russo-Japanese War as after the Sino-Japanese War; the activity and the reaction after the latter were due to the plethora of funds obtained through the large indemnity from China, while the same results in the former case were due to the large foreign loans for the purpose of meeting war expenditures. And the reason why the two great sums of money equally gave rise to an

unsound condition of the market was that in both cases they were spent unproductively. Their unproductive expenditure was the direct and indirect cause of the inflation of the currency, as well as of the advance of prices, and went far toward the easy materialization of the spirit of enterprise and speculation called forth by the superabundance of floating money. Here the reader can see the effects of the war expenditures, as well as of the expenditures for armament expansion after the war, on the post-bellum monetary circles, and he may further be able to infer the effects of the same in the period of reaction after the year 1907.

Anomaly in Financial Circles and Industrial Inactivity

As was to be expected, there came a reaction, or a time of economic inactivity caused by the pecuniary distress and difficulty arising from the rough financial policy after the war, from the sudden growth of unsound post-bellum enterprises, and from the widespread speculation incited through the superabundance of funds. This period of inactivity, which began in 1907, has continued up to the present day. Some of the most important events in this period will be given below, and their causes, as we have seen, lay in the methods of meeting the expenditures of the Russo-Japanese War.

The reaction in question appeared in monetary circles in 1907. To begin with, in January of that year there was an abnormal depreciation of shares in the stock market, and there was a run on the banks at Nagoya at the end of February. Afterward, bank after bank in various parts of the country met with a run or was closed for business; the banks pressed for payment numbered 58 up to October of the same year, and those closed for business numbered 24. And it so happened that a great panic arose in New York at the end of October, resulting in a considerable decrease in the export of raw silk, cotton yarn, and copper, Japan's most important export articles. This made the financial panic in this country more serious and the money market more stringent. In 1908 the

tightness did not slacken, and ceaseless runs on banks or suspensions of their business continued. A succession of bankruptcies took place among iron merchants, paper dealers, drapers, and exporters at Kyoto and Osaka. This money stringency made the bankers more cautious, so that the rate of interest advanced and the value of securities went down. In June, 1908, the rate of interest at Tokyo stood at 2.6 *sen* and the average rate throughout the country at 3.1 *sen*, which was the highest that had been experienced since the year 1903. Meanwhile, the Imperial 5 per cent bonds dropped to 80 *yen*, and the Tokyo Stock Exchange shares to 104 *yen*. In the latter half of 1908 and in 1909, the government redeemed public loans amounting to 96,500,000 *yen*, with a view to helping the public in the supply of capital. The foreign capital imported for the debentures of the Industrial Bank, the South Manchurian Railway Co., and the Tokyo Gas Co., including the municipal loans of Yokohama, Osaka, Nagoya, and Kyoto, reached 99,000,000 *yen*. Such being the case, not only was the specie reserve of the Bank of Japan greatly increased, but the capital in the market became so abundant that the people felt that they had found a spring which would restore everything to life. The faults of the new enterprises rashly undertaken or expanded at the height of the mania were now revealed. Sugar factories, insurance companies, aquatic products companies, steamship companies, etc., brought all sorts of ignominy upon themselves, so that at length business men began to find it difficult to carry on enterprises. Bank deposits, which had shown a considerable decrease at the time of the depression, now began to increase enormously, and money slackness gradually followed. Despite the fact that the gilt-edged securities showed a steady advance in value, enterprises remained completely inactive, and economic circles still seemed to be suffering from weakness caused by a long sickness. Properly speaking, the increase of deposits or the appreciation of securities was merely a symptom of the anomaly in the money market, which came of such unnatural measures of relief as the aforesaid importation of

foreign capital, etc. Tables K[1] and L[2] throw some light on the points referred to above.

In 1910 the Imperial Government set about to adjust the national loans and made a great effort to increase the value of bonds. As the result of these efforts, the 5 per cent loan bonds were kept above par, and the government, availing itself of this opportunity, issued the first and second 4 per cent loan bonds with good results; but as the third was somewhat unsatisfactory, the government raised new foreign loans amounting to enormous sums, a measure which was then looked upon as a revolutionary work against interest rates, and caused banks in general to lower the rate of interest by 0.3 *sen*. Here, again, we note a tendency toward industrial activity, and in 1910 the capital for starting new companies and banks and for expanding old enterprises amounted to 487,000,000 *yen*. This, however, was a mere momentary impulse, as afterward the rate of interest was often raised, but never lowered, until the close of the year 1913. The securities generally kept a downward tendency, many banks and business concerns failed, dulness reigned in the market, prices gradually dropped, and the balance of foreign trade continued to be unfavorable. The table immediately following, and also Tables M[3] and N[4] at the end of this chapter, will serve to confirm what has been said above.

AMOUNT OF CAPITAL SUBSCRIBED FOR INDUSTRIAL ENTERPRISES

Year	For establishment of new enterprises	For expansion of old enterprises	Total
	Yen	*Yen*	*Yen*
1907	458,091,000	216,686,160	674,777,160
1908	75,343,000	59,889,120	135,232,120
1909	63,393,000	64,864,535	128,257,535
1910	271,610,000	215,390,650	487,000,650
1911	276,207,500	144,932,000	421,139,500
1912	333,485,000	187,623,600	521,108,600
1913	183,390,000	196,983,250	380,373,250

[1] *Post*, p. 225. [2] *Ibid.*, p. 226. [3] *Ibid.*, p. 227. [4] *Ibid.*, p. 228.

TABLE A.—CIRCULATION OF PAPER CURRENCY

Year	Dajōkan notes	Mimbusho notes	Convertible notes of the Department of Finance	Convertible notes of the Colonial Government of Hokkaido	New paper money	Total	Temporary issue from the stock of new paper money reserved for exchanging with old notes	Bank notes	Total amount of circulation
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1868....	24,037,389	....	....	....	....	24,037,389	....	....	24,037,389
1869....	48,000,000	2,090,867	....	....	....	50,090,867	....	....	50,090,867
1870....	48,000,000	7,500,000	....	....	....	55,500,000	....	....	50,500,000
1871....	48,000,000	7,500,000	4,772,000	....	....	60,272,000	....	....	60,272,000
1872....	43,251,058	7,474,833	6,800,000	2,500,000	4,774,107	64,800,000	3,600,000	....	68,400,000
1873....	36,863,722	7,247,824	6,616,141	2,118,001	24,435,325	77,281,014	11,000,000	1,362,210	89,643,224
1874....	26,573,507	6,377,646	1,340,511	402,469	56,108,170	90,802,304	11,000,000	1,995,000	103,797,304
1875....	6,281,126	2,337,886	....	....	83,798,067	91,283,869	7,788,000	1,420,000	100,491,869
1876....	3,201,621	1,540,144	....	....	88,687,090	93,323,156	11,824,426	1,744,000	106,891,582
1877....	3,070,145	1,519,686	....	....	89,245,932	93,835,764	11,961,327	13,352,751	119,149,843
1878....	....	....	....	....	119,800,475	119,800,475	19,618,116	26,279,006	165,697,598

TABLE B.—INCREASE OF ISSUE OF PAPER MONEY

Year	Dajōkan notes and Mimbusho notes	New paper money	Temporary issue from the stock of new paper money reserved for exchanging with old notes	Total of government paper money	Increase or decrease as compared with preceding year	Bank notes	Increase or decrease as compared with preceding year	Total	Increase or decrease as compared with preceding year
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1876	4,741,765	88,687,090	11,824,426	105,253,281	....	1,744,000	....	106,997,281	....
1877	4,589,831	89,245,932	11,961,327	105,797,090	+ 649,508	13,352,751	+11,608,751	119,149,842	+12,152,561
1878	....	119,800,475	19,618,116	139,418,591	+33,621,501	26,279,006	+12,926,255	165,697,597	+46,547,755
1879	....	114,190,804	16,118,116	130,308,920	− 9,152,671	34,046,014	+ 7,767,008	164,354,934	− 1,342,663
1880	....	108,412,369	16,528,116	124,940,485	− 5,368,435	34,426,351	+ 380,337	159,366,836	− 4,988,098
1881	....	105,905,194	13,000,000	118,905,194	− 6,035,291	34,396,818	− 29,533	153,302,012	− 6,064,824

TABLE C.—WHOLESALE PRICE AND PRODUCTION OF UNHUSKED RICE (1881–1886)

Year	Wholesale price of unhusked rice				Annual production of rice		
	Price per koku [a]	Index number (1877 = 100)	Prices in silver	Index number (1877 = 100)	Amount	Index number (1877 = 100)	Index number for prices of commodities specially reported by the Bank of Japan
	Yen		*Yen*		*Koku*		
1881	10.59	197	6.25	120	29,971,383	113	163
1882	8.81	164	5.61	108	30,692,327	115	146
1883	6.31	118	4.99	96	30,671,492	115	112
1884	5.29	98	4.86	94	26,349,883	99	91
1885	6.61	121	6.26	121	34,158,196	128	96
1886	5.99	117	..	..	37,191,424	140	95

[a] 1 *koku* = 5.13 bushels.

TABLE D.—COMPARATIVE TABLE OF WAR FUND RECEIPTS AND WAR EXPENDITURES BASED ON SPECIAL ACCOUNT OF EXTRAORDINARY WAR EXPENDITURES OF THE RUSSO-JAPANESE WAR[a]

Year and month	Amounts received for the war fund	Amounts paid out for war expenses	Excess of war fund receipts	Deficiency of war fund receipts	Total amounts to date	
					Excess	Deficiency
1903	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
October	....	1,762	....	1,762	....	....
November	....	2,876	....	2,876	....	4,638
December	....	16,006,682	....	16,006,682	....	16,011,320
1904						
January	....	4,399,295	....	4,399,295	....	20,410,615
February[b]	58,285	20,130,454	....	20,072,169	....	40,482,785
March	2,191,846	25,832,117	....	23,640,270	....	64,123,055
April	27,326,424	29,668,260	....	2,341,836	....	66,464,891
May	18,309,019	30,984,656	....	12,675,636	....	79,140,528
June	47,306,477	33,041,423	14,265,054	....	....	64,875,474
July	53,387,831	42,380,691	11,007,139	....	....	53,868,334
August	48,256,529	71,479,419	....	23,222,890	....	77,091,224
September	17,097,059	53,099,430	....	36,002,372	....	113,093,596
October	21,160,283	56,973,688	....	35,813,405	....	148,907,001
November	31,236,024	49,398,312	....	18,162,288	....	167,069,280
December	59,966,809	65,761,480	....	5,794,671	....	172,863,960
1905						
January	73,916,385	46,378,275	27,538,110	....	....	145,325,850
February	47,350,894	62,291,455	....	14,040,561	....	160,266,412
March	41,251,028	67,135,816	....	25,884,788	....	186,151,200
April	68,510,948	66,956,623	1,554,326	....	....	184,596,874
May	102,373,020	85,323,524	17,049,496	....	....	167,547,378
June	192,872,145	80,441,491	112,430,654	....	....	55,116,724
July	104,768,592	68,912,350	35,856,242	....	....	19,260,482
August	118,522,725	57,465,491	61,057,234	....	41,796,752	....

September[c]	18,001,559	46,385,545	....	28,383,986	13,412,766	....
October	47,129,874	47,879,227	....	749,353	12,663,412	....
November	118,119,268	30,607,439	87,511,829	....	100,175,241	....
December	61,230,262	44,450,603	16,779,659	....	116,954,900	....
1906						
January	56,367,150	15,429,361	40,937,788	....	157,892,689	....
February	1,547,487	15,804,097	....	14,256,609	143,636,079	....
March	13,998,743	26,540,041	....	12,541,298	131,094,781	....
April	38,032,335	20,558,022	17,474,313	....	148,569,094	....
May	58,533,656	13,626,184	44,907,472	....	193,476,566	....
June	30,548,559	14,547,045	16,001,514	....	209,478,080	....
July	35,041,901	5,626,821	29,415,080	....	238,893,160	....
August	133,504,368	107,585,638	25,918,730	....	264,811,891	....
September	7,007,064	7,215,434	....	208,370	264,603,521	....
October	3,228,379	11,860,862	....	8,632,483	255,971,037	....
November	2,649,781	7,675,426	....	5,025,645	250,945,392	....
December	4,263,693	11,982,352	....	7,718,659	243,226,733	....
1907						
January	937,327	7,015,349	....	6,078,021	237,148,711	....
February	4,257,431	11,083,065	....	6,825,634	230,323,077	....
March	10,676,965	13,698,961	....	3,021,995	227,301,082	....
April	17,738	4,703,086	....	4,685,349	222,615,733	....
May	29,414	2,432,155	....	2,402,741	220,212,992	....
June	226,236	7,700,252	....	7,474,015	212,738,977	....
July	741	....	740	....	212,739,718	....
Total	1,721,212,254	1,508,472,535	212,739,719			

[a] The total of the amounts received for the war fund, 1,721,212,254 *yen*, is inclusive of the sums that were not available for immediate use at home.
[b] War declared.
[c] Peace restored.

TABLE E.—DETAILS OF ACCOMMODATIONS MADE TO THE WAR FUND[a]

Year and month	Total amounts to date of the war fund		Accommodations			
	Excess	Deficiency	Amounts transferred from National Treasury	Treasury bills issued	Loans from the Bank of Japan	War notes used
1903	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
October	....	1,762	1,762	....	....	....
November	....	4,638	4,638	....	....	....
December	....	16,011,320	9,011,320	....	7,000,000	....
1904						
January	....	20,410,615	8,410,615	....	12,000,000	....
February[b]	....	40,482,785	11,815,785	....	28,000,000	667,000
March	....	64,123,055	20,163,455	....	41,500,000	2,459,600
April	....	66,464,891	18,579,040	....	43,500,000	4,385,852
May	....	79,140,528	17,043,800	....	55,500,000	6,596,728
June	....	64,875,474	20,811,908	....	35,500,000	8,563,566
July	....	53,868,334	8,129,859	....	27,500,000	18,238,476
August	....	77,091,224	5,886,570	....	29,500,000	41,704,655
September	....	113,093,596	13,455,839	....	50,000,000	49,637,757
October	....	148,907,001	30,530,114	....	58,500,000	59,876,887
November	....	167,069,289	25,093,052	....	79,500,000	62,476,237
December	....	172,863,960	21,254,133	....	92,000,000	59,609,827
1905						
January	....	145,325,850	41,656,117	....	45,000,000	58,669,733
February	....	160,266,412	36,733,945	10,000,000	50,500,000	63,032,466
March	....	186,151,200	63,525,590	10,000,000	42,500,000	70,125,610
April	....	184,596,874	39,325,601	35,000,000	20,500,000	89,771,274
May	....	167,547,378	41,988,660	35,000,000	4,000,000	86,558,718
June	....	190,519,023	58,131,023	35,000,000	9,000,000	88,388,000

July	....	160,459,808	29,219,454	35,000,000	....	96,240,354
August	....	150,708,153	25,102,818	35,000,000	....	89,605,336
September[c]	....	183,633,573	42,630,492	35,000,000	19,000,000	87,003,082
October	....	197,533,152	18,130,759	65,000,000	34,000,000	80,402,393
November	....	193,461,294	13,600,251	70,000,000	34,000,000	75,861,043
December	....	222,207,451	15,883,925	100,000,000	34,000,000	72,323,526
1906						
January	....	183,370,098	....	100,000,000	34,000,000	62,954,702
February	....	178,360,351	....	110,000,000	37,500,000	55,666,835
March	....	204,038,653	....	95,000,000	77,500,000	42,365,343
April	....	153,685,878	....	105,200,000	34,500,000	33,802,911
May	....	64,469,098	....	115,200,000	24,500,000	27,055,602
June	....	29,976,747	....	115,200,000	....	18,350,232
July	8,711,028	....	....	105,200,000	....	15,253,358
August	44,269,091	....	....	90,200,000	....	12,386,700
September	56,936,689	....	....	50,200,000	....	12,386,700
October	53,667,946	....	....	45,200,000	....	11,071,708
November	18,426,393	....	....	48,200,000	....	11,071,708
December	5,916,700	....	....	48,200,000	....	10,774,105
1907						
January	....	2,716,853	....	33,000,000	....	11,774,105
February	....	7,202,821	....	33,000,000	....	11,774,105
March	....	36,515,485	....	33,000,000	....	11,774,105
April	....	40,542,714	....	33,000,000	....	11,774,105
May	....	42,103,494	3,057,469	30,000,000	....	9,046,025
June	....	31,232,511	23,585,008	....	....	7,647,503

[a] The amounts of war notes used are given after deducting the amounts of the notes withdrawn. The total amounts to date of the war fund given in this table do not coincide with those in the preceding table, because the sums that were not available for immediate use at home were deducted in this table.
[b] War declared.
[c] Peace restored.

TABLE F.—RESULTS OF EXCHEQUER BOND ISSUES

Date of issue	Amount	Net proceeds	Minimum issue price	Actual interest rate	Amount applied for	Percentage of amount applied for above issue price, as compared with amount of issue
1904	*Yen*	*Yen*		*Per cent*	*Yen*	*Per cent*
March 10	100,000,000	92,376,124	95	6.33	452,130,475	3.34
June 16	100,000,000	90,981,796	92	6.67	322,190,950	0.65
Nov. 7	80,000,000	71,288,675	92	6.67	245,829,200	2.34
1905						
March 31	100,000,000	90,254,962	90	7.15	485,876,250	7.7
May 5	100,000,000	89,984,081	90	8.28	498,261,225	2.94

TABLE G.—INCREASE OF BANK DEPOSITS AND POSTAL SAVINGS

Period ending	Bank deposits		Postal savings	Increase or decrease as compared with October, 1903		
	Bank of Japan	Chief localities		Bank of Japan	Chief localities	Postal savings
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
October, 1903	8,069,518	435,569,832	31,709,261	....	....	....
February, 1904	12,980,511	437,991,114	30,760,032	4,910,993	2,421,282	949,229
June, 1904	9,988,235	449,073,237	33,309,089	1,918,717	13,503,405	1,599,828
December, 1904	12,424,704	465,656,014	38,117,526	4,365,186	30,086,182	6,408,265
June, 1905	11,549,778	517,408,209	43,727,391	3,480,260	81,838,377	12,018,130
December, 1905	14,025,267	534,354,445	52,150,352	5,955,749	98,784,613	20,441,091
June, 1906	15,411,593	669,251,372	55,325,892	7,342,075	233,681,540	23,616,631
December, 1906	6,287,726	810,484,536	67,170,263	1,781,792	374,914,704	35,461,002

TABLE H.—QUOTATIONS OF STOCKS FOR "IMMEDIATE DELIVERY" ON THE TOKYO STOCK EXCHANGE

Date	Kansai Railway[a]	Kyushu Railway[b]	Tokyo Electric Tramway[b]	Nippon Yusen Kaisha[b]	Imperial Commercial Bank[c]	Kanegafuchi Spinning[b]	Tokyo Stock Exchange[b]
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
September, 1905	40.20	58.60	74.10	83.80	19.50	82.60	198.10
December, 1905	47.00	69.30	77.30	98.00	24.80	96.60	265.20
March, 1906	47.90	76.50	93.60	99.30	25.90	122.80	362.20
June, 1906	47.90	75.20	90.50	102.60	24.20	111.10	180.10
September, 1906	49.70	79.50	..	120.90	32.80	151.40	253.20
December, 1906	56.90	82.00	95.70	123.80	34.70	223.90	456.60
March, 1907	52.70	78.20	101.10	109.10	33.70	139.60	438.20
June, 1907	47.30	73.50	73.90	97.00	24.50	113.40	138.20
September, 1907	..	..	70.30	93.70	25.20	..	147.50
December, 1907	..	..	64.47	78.80	19.07	84.67	98.56

[a] 47.00 *yen* paid up. [b] 50.00 *yen* paid up. [c] 25.00 *yen* paid up.

TABLE I.—COMPARISON OF QUOTATIONS

Stocks	Dividend	Quotations on Sept. 4, 1905	Profit basis	Dividend	Quotations on Jan. 18, 1907	Profit basis	Difference between quotations on Sept. 4, 1905, and Jan. 18, 1907
	Per cent	*Yen*	*Per cent*	*Per cent*	*Yen*	*Per cent*	*Yen*
Kyushu Railway.....	8	55.05	7.2	10	82.20	5.7	27.15
Nippon Yusen Kaisha...	12	78.60	7.6	12	149.90	.4	71.30
Kanegafuchi Spinning ...	16	74.30	10.7	20	296.00	3.3	221.70
Tokyo Stock Exchange ..	17	176.70	4.8	50	780.00	3.2	603.30

TABLE J.—COMPANIES STARTED DURING THE THREE YEARS, 1905–1907

Year ending December	Agriculture		Industry		Commerce		Transportation		Total	
	Number of companies	Capital paid up	Number of companies	Capital paid up	Number of companies	Capital paid up	Number of companies	Capital paid up	Number of companies	Capital paid up
		Yen		*Yen*		*Yen*		*Yen*		*Yen*
1905	231	3,368,990	1,449	189,414,059	5,630	466,404,498	696	316,649,008	9,006	975,836,555
1906	250	4,870,357	2,546	267,118,424	5,840	500,588,598	694	317,378,704	9,330	1,089,956,083
1907	309	12,035,192	2,847	381,815,109	6,197	569,486,328	734	150,891,189	10,087	1,114,227,818
Increase in 1907 as compared with 1904	71	8,814,335	463	218,918,906	588	113,663,715	52	158,521,274[a]	1,174	182,935,672

[a]Decrease.

TABLE K.—DISCOUNT RATES AND BANK DEPOSITS THROUGHOUT THE EMPIRE

Period ending	Discount rate of Bank of Japan	Discount rate at Tokyo	Discount rate throughout the Empire	General deposits at Bank of Japan	Deposits at banks in chief localities of the Empire
	Sen	*Sen*	*Sen*	*Yen*	*Yen*
March, 1907	1.80	2.09	2.58	6,546,250	....
June, 1907	1.80	2.18	2.67	11,341,062	....
September, 1907	1.80	2.19	2.67	7,077,171	....
December, 1907	2.00	2.38	2.79	8,003,410	....
March, 1908	2.00	2.49	2.86	8,432,162	637,859,426
June, 1908	2.00	2.60	3.02	8,957,826	649,929,139
September, 1908	2.00	2.56	2.97	7,662,608	656,274,279
December, 1908	2.00	2.52	2.94	7,993,244	686,066,229
March, 1909	2.00	2.28	2.79	10,867,685	691,666,051
June, 1909	1.80	2.01	2.71	9,151,240	764,904,141
September, 1909	1.60	1.96	2.54	30,748,947	894,772,870
December, 1909	1.60	1.83	2.48	5,632,840	804,626,270

TABLE L.—AVERAGE QUOTATIONS FOR BONDS AND STOCKS FOR "IMMEDIATE DELIVERY" ON THE TOKYO STOCK EXCHANGE

Period ending	Imperial 5 per cent bonds[a]	Bank of Japan[a]	Nippon Yusen Kaisha[b]	Kanegafuchi Spinning[b]	Tokyo Stock Exchange[b]
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
March, 1907	87.71	772.92	109.05	173.70	411.15
June, 1907	86.57	593.33	94.58	114.79	133.94
September, 1907	84.68	638.87	94.82	116.47	144.34
December, 1907	82.79	566.40	77.99	90.11	97.52
March, 1908	79.50	549.67	81.92	79.61	98.85
June, 1908	80.50	522.08	82.17	84.68	107.77
September, 1908	83.46	532.92	79.22	83.29	115.28
December, 1908	87.59	577.60	102.32	90.27	147.17
March, 1909	90.18	633.50	76.97	90.32	134.34
June, 1909	92.43	630.92	81.23	104.24	161.44
September, 1909	95.70	681.63	82.63	112.49	177.45
December, 1909	97.21	819.40	82.43	108.27	160.27

[a] 200 *yen* paid up. [b] 50 *yen* paid up.

TABLE M.—DISCOUNT RATES AND BANK DEPOSITS THROUGHOUT THE EMPIRE

Period ending	Discount rate of Bank of Japan	Discount rate at Tokyo	Discount rate throughout the Empire	General deposits at Bank of Japan	Deposits at banks in chief localities of the Empire
	Sen	*Sen*	*Sen*	*Yen*	*Yen*
March, 1910	1.30	1.64	2.34	7,395,260	805,225,272
June, 1910	1.30	1.61	2.30	20,281,385	896,763,830
September, 1910	1.30	1.49	2.20	22,560,240	930,148,522
December, 1910	1.30	1.54	2.19	9,337,845	915,297,980
March, 1911	1.30	1.53	2.19	15,144,582	904,814,851
June, 1911	1.30	1.55	2.17	8,854,312	946,350,498
September, 1911	1.30	1.65	2.19	8,890,493	915,496,364
December, 1911	1.50	1.88	2.30	10,187,006	901,437,704
March, 1912	1.60	1.92	2.38	23,854,116	936,272,077
June, 1912	1.60	1.92	2.31	8,607,952	952,262,198
September, 1912	1.60	1.97	2.40	6,916,694	993,141,181
December, 1912	1.80	2.35	2.63	6,154,096	978,006,705
March, 1913	1.80	2.24	2.60	6,985,853	998,335,791
June, 1913	1.80	2.26	2.61	10,976,788	1,011,753,733
September, 1913	1.80	2.35	2.67	6,973,672	990,829,941
December, 1913	1.80	2.35	2.70	5,014,107	1,017,760,181

TABLE N.—AVERAGE QUOTATIONS FOR BONDS AND STOCKS FOR "IMMEDIATE DELIVERY" ON THE TOKYO STOCK EXCHANGE

Period ending	Imperial 5 per cent bonds	Bank of Japan[a]	Nippon Yusen Kaisha[b]	Kanegafuchi Spinning[b]	Tokyo Stock Exchange[b]
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
March, 1910	99.28	604.41	94.92	114.61	230.32
June, 1910	100.78	608.76	95.11	107.71	226.12
September, 1910	100.50	576.54	100.34	104.27	202.98
December, 1910	100.62	577.46	96.52	107.16	197.94
March, 1911	98.50	579.60	102.54	102.66	163.59
June, 1911	100.20	565.00	93.85	102.61	134.38
September, 1911	96.50	561.62	108.89	207.10	170.20
December, 1911	95.00	553.52	107.78	102.88	150.65
March, 1912	92.50	562.44	118.73	108.02	165.77
June, 1912	92.50	551.30	114.81	115.29	152.85
September, 1912	90.11	535.00	121.93	113.13	155.01
December, 1912	90.00	504.30	107.31	120.00	139.78
March, 1913	91.35	522.94	113.25	112.11	141.66
June, 1913	91.73	508.90	113.56	111.30	141.60
September, 1913	87.76	492.19	109.90	105.07	134.68
December, 1913	89.47	503.65	114.68	108.17	142.24

[a] 200 *yen* paid up. [b] 50 *yen* paid up.

CHAPTER IV

EFFECTS ON INDUSTRIES, TRANSPORTATION, AND COMMERCE

We can not here attempt, for want of space, to enter upon thorough inquiries into all the relations between war and armament expenditures, on the one hand, and industries, transportation, and commerce, on the other, or to deal with them conclusively by giving detailed statistical facts for all the different branches of industry. In this chapter, therefore, we will briefly outline the development of industries, transportation, and commerce, proceeding no further than to conclude roughly what relation they bore to the expenditures for war and armament.

Since the effects wrought on industries by the raising and disbursing of funds for war and armament expenditures were revealed in various ways, our observations made on two or three phases thereof can by no means cover the whole field, inasmuch as we should, in accordance with the theoretical principles of economy, look into the improving conditions of industries, transportation, and commerce, and try to make historical observations on these state expenditures in connection with these conditions. We will leave out of account, however, the effects arising from taxes or the national loans belonging to the receipts, as these are dealt with by other investigators, and likewise we will not consider here the remote effects on labor, capital and nature. Thus, with the scope of our questions shortened, we have to state, first, what effects the war and armament expenditures had upon the circulation of money, as well as upon the accommodation of capital; and, secondly, what effects these expenditures had upon the demand and supply of commodities and in consequence on industries, transportation, and commerce. But as the former question has been already treated, in this chapter we will devote our attention exclusively to the latter.

Effects on Industries

Primitive Industries

Japan has remained an agricultural country for thousands of years. Even in the early part of the Meiji Era, agriculture was looked upon as the most important basis of the national prosperity; and of all the agricultural products, rice had the largest output and barley was next. Raw silk and tea were gradually improving with the increasing demand for them in foreign trade. Besides the above industries, fishery and forestry have also made great strides in the last forty-six years.

We give here a condensed table showing the chief productions in the years 1877, 1893, 1903, and 1913, in order that the improvement of these primitive industries may be seen:

Production of Primitive Industries

Articles	1877	1893	1903	1913
Rice (*koku*)	116,599,181	37,199,663	46,473,298	50,255,267
Barley, rye and wheat (*koku*)	9,620,490	16,636,588	13,545,105	25,050,454
Beans (*koku*)	1,642,183[a]	3,052,337[b]	3,647,830	3,511,000
Cattle (head)	1,080,414[a]	1,105,201	1,286,116	1,399,498[c]
Horses (head)	1,540,588	1,561,373	1,523,745	1,581,743[c]
Tea (*kwan*)	2,761,523[a]	7,640,368	6,711,112	8,679,810[c]
Raw silk (*kin*)	....	7,709,713	11,478,700	21,410,563[c]
Fisheries (*yen*)	....	19,950,451	42,145,602	88,731,407[c]

[a] 1878 [b] 1894. [c] 1912.

Though the above statistics give only a general idea of the primitive industries, yet they show a considerable progress in the period covered. The progress, however, is far inferior to that of commerce and industry, as will be shown further on, due to the fact that the natural conditions of the country and its relations with foreign countries did not allow it to remain solely agricultural. And this situation may be expected to develop much more in the future. That raw silk and tea products show a more remarkable increase than any other articles in the above table is entirely attributable to the growing foreign trade of Japan. We may be sure

that there existed some facts showing that the expenditures for war and armament increased the demand for these products, raised their prices, and improved production in consequence —the direct relations of cause and effect to war and armament expenditures and the primitive industries. No data, however, are now obtainable to illustrate statistically the existence of these relations.

Modern Industries

According to investigations made at the close of the year 1912, the number of factories in Japan was 15,119, the number of artisans was 863,447, the number of common laborers was 164,718, and the consumption of coal exceeded 9,100,001,700 *kin*. Of all the industries, 4,403 were carried on under a company system with paid-up capital exceeding 677,794,000 *yen*, while thirteen enterprises were carried on with a paid-up capital of more than 10,000,000 *yen*, viz., brewing, sugar making, cotton and other spinning, shipbuilding, mining and refining, coal mining, petroleum mining and refining, electric light, gas, paper and pulp making, cement, and fertilizer making. The progress of industries in Japan, if compared with that in Europe and America, is very trifling, yet no one can deny that Japanese industry is in process of improvement. Her rapid industrial progress is shown by the following statistics:

INDUSTRIAL PROGRESS OF JAPAN

Items	1877	1893	1903	1912
Total number of factories	...	5,985	8,274	15,119
Factories using motive power (included in the above)	...	2,409	3,741	8,710
Working hands	...	....[a]	483,839	863,447
Laborers	...	....[a]	....[a]	164,718
Coal consumed in factories (*kin*)	...	....[a]	....[a]	9,117,638,891
Industrial companies	...	1,367[b]	2,441	4,403
Paid-up capital of industrial companies (*yen*)	...	89,900,900[b]	170,346,340	677,794,564

[a] No returns. [b] At the end of 1896.

The following table, showing some principal products of the industries, reveals the progress still more clearly:

PRINCIPAL PRODUCTS OF INDUSTRIES OF JAPAN

Items	1877	1893	1903	1912
Coal (tons)	499,000	3,346,158	10,088,845	19,638,755
Copper (*kin*)	6,570,748	30,025,201	55,312,343	104,037,499
Iron (*kwan*)	....	4,535,305	9,016,383	18,497,265
Petroleum (crude oil) (*koku*)	9,542	83,644	1,065,116	1,458,290
Matches (dozen)	....	228,544,320	388,712,866	634,142,780
Cotton yarn (*kwan*)	....	10,666,744	39,120,772	67,912,083
Home-made sugar (*kin*)	....	80,718,507	85,075,275[b]	104,123,812
Sake and other liquors (*koku*)	2,862,416	3,842,973	3,836,750	4,486,823
European paper (*yen*)	....	2,188,171[a]	6,855,525	20,092,463
Porcelain and earthen wares (*yen*)	....	3,931,384	6,975,542	16,545,545
Textiles (*yen*)	....	51,275,587	134,006,795	337,230,152
Mats and mattings for floor (*yen*)	....	3,627,322[a]	8,508,704	10,703,738

[a] 1894. [b] 1901.

In the above table so many figures are wanting in 1877 that no conclusions can be drawn therefrom. But those industries which had begun to improve from the year 1877 and returned a fair output in the year 1893 showed in 1903 quantities nearly twice as great as those produced ten years before, that is, the production of coal, iron, petroleum, cotton yarn, European paper, textiles, and mats, at least, increased to double former amounts. For the nine years following 1903 the progress was not so remarkable as before. Though at the close of the year 1912 no industries but foreign paper, porcelain and earthern wares, and textiles had more than doubled their previous production, yet it is past question that all the industries, continuously improving, indicated steady increases in output. In the last ten years the most wonderful progress has been made in both the electric supply and electric railways, and the paid-up capital of companies interested in these lines of business, amounting to over 87,000,000 *yen* at the end of 1907, is over 250,000,000 *yen* at present.

So far we have outlined the development of industry in

Japan and found that it advanced with great rapidity. Now, leaving out our study of the relations between the above-stated industrial progress and war and armament, we will try to treat of the war and armament expenditures as the direct cause of the industrial improvement. It may be noted that there were different effects of the expenditures upon different industries, as military demands varied according to the nature of the products. It may also be said, therefore, that the war and armament expenditures had more direct effect on industrial products than on agricultural products. As most of the agricultural products are, as said above, the necessities of the whole nation, it is difficult to affirm that they were conspicuously affected by the increased military demands.

Now, by turning to the production of coal, which is regarded as the most important of all the industrial products in time of war and is affected directly by the expenditures for war and armament, we may determine the relation between the expenditures and general industries. This relation can be known only in the years 1904 and 1905, when the war expenditures reached an enormous amount all at once, as it is very hard to illustrate statistically such an economic process as that the payments of expenditures caused demand to increase, prices to rise, and production to grow. With little or no statistical data at hand, we will not dwell further upon this subject.

Table A at the end of this chapter[1] shows the domestic consumption of coal from 1903 to 1906.

The consumption of coal used for ships in 1904 and 1905 was larger than in the previous year, and this increase was, as anyone can see, due to the war. The average price of coal was 5.81 *yen* per ton in 1903, 6.53 *yen* in 1904, and 8.35 *yen* in 1905; this gradual appreciation in price was due to the increasing demand. Accordingly, as seen in the following table, the output of coal, as compared with that of 1903, also increased gradually by more than 634,000 tons in 1904, by more than 1,453,000 tons in 1905, and by more than

[1] *Post*, p. 242.

2,891,000 tons in 1906, increases which were chiefly due to the advance of the price of coal.

AMOUNT AND VALUE OF COAL PRODUCTION, 1903–1906

Year	Production	Increase as compared with 1903	Value	Increase as compared with 1903
	Tons	*Tons*	*Yen*	*Yen*
1903	10,088,845	....	28,978,829	....
1904	10,723,796	634,951	29,218,134	239,305
1905	11,542,397	1,453,642	40,196,695	11,217,866
1906	12,980,103	2,891,258	65,144,000	34,165,171

EFFECTS ON TRANSPORTATION

Land Transportation

There were no railways in Japan prior to the construction of the Tokyo-Yokohama line, which was completed in September, 1872, and horses or cattle were the sole means of conveyance. In the War of the Restoration and in the Satsuma Rebellion so great a number of cattle, horses, and coolies were collected that the expenses therefor constituted the largest part of the war expenditures. The government having learned by experience the convenience of having railway traffic between Tokyo and Yokohama, and the great trouble caused by deficient means of transport, exerted itself to the utmost in the construction of railways. At last, accordingly, the government caused the Nippon Railway to be laid by private hands in 1882, and further planned to lay the Nakasen-do Railway by itself. The mania for railway enterprises was most intensified for some years after 1887, and the aggregate railway mileage in this country already extended to 2,000 miles before the outbreak of the Sino-Japanese War. Though the transport of troops and war materials led to a temporary interruption in the transportation of general merchandise during the war, yet immediately after the war it was restored to its former condition, with more favorable return for goods and passengers carried in 1894–95. The result was that various railway companies

were financially successful. Just at that time, the government, disinclined to have new railway companies started, in order to avoid the fixation of capital, refused to give license for their construction. The mania for railway construction again appeared after the war, and the government itself attempted to carry out the extension of railways on a larger scale. The railways were of so much greater use in carrying troops and munitions in the Russo-Japanese War than in the Sino-Japanese War that 97 locomotives, 36 passenger cars, and 1,835 freight cars were devoted exclusively to the use of the field railways. Such being the case, the domestic railways found themselves in so great want of cars that traffic was inevitably held up and goods became congested at various points. The railway statistics during the war indicate a slight increase in goods and a slight decrease in passengers carried in 1904–5, as compared with former years, while the average mileage of goods and passengers transported shows a considerable increase. This was all due to the busy conveyance of troops and munitions, and the fact that this phenomenon is more particularly recognizable in February and March of 1904 confirms our explanation. The railways were so busily occupied in transporting troops and munitions during the war that the general traffic communication was greatly interfered with. The balance-sheets of the railway companies, however, showed the best profits that had ever been obtained, because the transportation of troops and munitions could be carried on with comparatively little expense. After the Russo-Japanese War, the mania for railway enterprises showed signs of beginning again, but prior to its reappearance railway nationalization was finally carried out. From the standpoint of the government's policy the nationalization of railways had been expected from the beginning of the Meiji Era, and it was realized, as already stated, just after the war. Government ownership of railways was then insisted upon principally on the ground that it possessed an important military value. The Meiji Government was guided in its railway policy at all times by military considerations.

Water Transportation

In considering the matter of water transportation in a limited sense, namely, as regards the improvement of the mercantile marine, we note that there always exists, as in the case of land transportation, a close relation between the shipping business and military affairs. At the time of the Restoration, vessels of foreign style had been already imported, but they were of little importance as means of conveyance in the War of the Restoration. In the Saga Insurrection of 1894, the military transport was effected exclusively by the Mitsubishi Steamship Co., successors to Tsukumo Co., and in the Formosan Expedition that company was again held for the service, as the American Government was disinclined to have the vessels of the Pacific Mail Steamship Co. engaged in transporting armies. The Government accordingly purchased fifteen steamships from abroad for the purpose, all of which the government turned over to the Mitsubishi Steamship Co. after the war, and ordered it to occupy itself with coastwise navigation and mail service. At the outbreak of the Satsuma Rebellion, the company was thrice called upon to render important service of military transport, getting ten steamships purchased with a subsidy of $700,000 granted by the government and its own capital of $380,000 in addition. These ships all came into the company's possession again after the war, when its ships numbered fifty-six in all, or 80 per cent of the entire mercantile marine. Thus, the company was apparently monopolizing the carrying trade of Japan. Since then, competing with the Kyodo-Unyu Kaisha or driving out the Pacific Mail Steamship Co., the Mitsubishi Co. has at last grown to the present Nippon Yusen Kaisha (Japan Mail Steamship Co.).

In the Sino-Japanese War, fifty-seven ships (130,000 tons) owned by the Nippon Yusen Kaisha, thirty ships (10,500 tons) of the Osaka Shosen Kaisha, and a few other small vessels were collected for military use, and in addition to them the government purchased thirteen ships (20,000 tons) for the same purpose. Such a large requisition of ships by the gov-

ernment led to a deficiency in general means of water transportation, and though that was shortly replenished there ensued a great post-bellum excess in the number of ships. The shipping world, which was in possession of 400 ships, with 167,000 tons capacity, at the close of 1893, had 528 ships in all, with an aggregate capacity of 321,000 tons, at the close of 1895. New services were then opened, and the government also adopted a policy of protection and encouragement. Availing themselves of this opportunity, the Nippon Yusen Kaisha inaugurated new services to Europe, America, and Australia, and the Osaka Shosen Kaisha to Formosa, America, and the Yangtze-Kiang, and the Toyo Kisen Kaisha was started also at this opportune time. It was from this time that the Japanese commercial flags began to fly at the various chief seaports in Europe and America.

During the Russo-Japanese War, the government chartered a large number of merchant ships for military use, viz., 108 ships of 400,000 tons from the Nippon Yusen Kaisha and 73 ships of 78,000 tons from the Osaka Shosen Kaisha. The collection of these ships by the government dealt a severe blow to the conveyance of general goods, no commercial ships of over 500 tons plying for general transport, so that for a time the foreign service came to a complete standstill. In this connection the government encouraged the chartering of foreign ships to replenish the deficiency in the shipping trade, intending thereby to remove difficulties in foreign trade. The chartered ships sometimes reached an aggregate of 90 ships with a capacity of 180,000 tons. Besides, the purchase of foreign ships and home shipbuilding were also greatly encouraged by the government, and therefore it came about that the purchases from abroad amounted to 172 ships of 315,000 tons in 1904–5, or more than ten times the number of ships purchased in 1903. A great deal of trouble and difficulty was felt in the carrying trade until this replenishment had been completed, but after the war ships were found again in great abundance. The shipping fleet with 1,570 vessels of 662,000 tons in all at the close of the year 1903

came to own 2,103 vessels of 1,045,000 tons at the close of the year 1907. The result was that new lines were again inaugurated and new shipping companies were started, namely, the American and Saghalien services opened by the Osaka Shosen Kaisha, the South American service opened by the Toyo Kisen Kaisha, and the Siamese service opened by the Nippon Yusen Kaisha; and the Sino-Japanese Steamship Co. was newly established.

Although the general transportation and communication of the country was dealt a heavy blow during the wars on account of the large requisitions of railway cars and ships for military use, the post-bellum development was successful, and it is therefore beyond doubt that the progress of transportation business was largely due to the wars. At the same time it is worthy of note that the Japanese Government's policy of communication was dependent from beginning to end upon a unique and unparalleled principle of protection. The railways were allowed enormous subsidies by the government before they were nationalized, and shipbuilding and navigation were placed much more under the government's financial egis. It is said that 90 per cent of the total dividends of various shipping companies were the protection and encouragement funds granted to them by the government, and it was due to this policy that the means of communication in Japan underwent such splendid growth and improvement. Since this policy originated in the tendency to regard communication as most valuable from the military point of view, the national funds used for the purposes of protection must be, in a certain sense, called expenditures for military affairs. When those who discourse upon the development of communication in Japan take these matters into account, they may find themselves unable to agree readily with the assertion that the expenditures for war and armament had a good effect upon communication, for the truth is that the effects produced by these expenditures are too complicated to be distinguished as to whether they were favorable or unfavorable.

The means of communication outside of railways and steam-

ship lines are not treated here in detail, but it may be added that not only highways, telegraph and telephone service, but also wireless telegraphy and telephony, made progress with the protection and assistance of the government, as these means were also considered valuable from the military point of view; and on the whole the effects produced upon them were the same as in the case of the railways and steamships.

Effects on Commerce

Domestic Commerce

The domestic commerce of a country is a reflection of its economic life. Commercial prosperity naturally follows the commencement of agricultural and industrial activity, the smooth circulation of money, and an increasing consumption of commodities by the people. In the early part of the Meiji Era, the government relied upon the policy of protection to improve commerce, and it resorted to various measures, most of which were unsuccessful, in order to get goods more widely distributed. Through the development of the national economy since the years 1885 and 1886 there have come into existence the modern enterprises which at last have developed to the present system on a large scale. The following table is given to illustrate the general trend of economic progress:

Number of Companies and Paid-up Capital

Year	Number of companies	Capital paid up	Average capital paid up
		Yen	*Yen*
1893	871	40,309,194	46,278
1903	5,855	451,680,028	77,144
1912	8,004	864,439,783	108,000

As the expenditures for war and armament amounted to enormous sums, the commerce in military supplies gradually became active and prosperous, and the districts of military importance became more and more flourishing. This becomes clearer when we mention the fact that at present great quantities of goods are transported to and from the localities where

army divisions or naval stations are situated, and that those who are engaged in the supply of military requisites are holding the most prominent positions in those localities as "government contractors."

Foreign Commerce

Prior to the year 1877 the imports and exports of Japan were annually valued at less than 50,000,000 *yen*, but they reached more than 100,000,000 *yen* in 1887 and more than 200,000,000 *yen* in 1894. In 1903 the values were put at 600,000,000 *yen*, in 1905 at 800,000,000 *yen*, and in late years at more than 1,000,000,000 *yen*. These figures show that the international trade of Japan has gradually come to occupy an important position in the economic life of the country. To be more explicit, we may state that there appeared a tendency for comestibles and raw materials to grow less important in the export trade and to be supplanted by half-manufactured and finished articles. In 1893–94 the ratio of the values of exported articles was put at 19 per cent for comestibles, 10 per cent for raw materials, 42 per cent for half-manufactured articles, 25 per cent for finished articles, and 4 per cent for other articles, while at present the ratio stands at 10, 8, 52, 29, and 1 per cent, respectively. As regards imports, the contrary was the case, as finished articles gradually diminished and raw materials became more important. In 1893–94 the ratio of values of imported articles was put at 24 per cent for comestibles, 21 per cent for raw materials, 19 per cent for half-manufactured articles, 34 per cent for finished articles, and 4 per cent for other articles, but the latest ratio stands at 17, 48, 17, 17, and 1 per cent, respectively.

Such being the general condition of Japan's imports and exports, many of the military requisites at first had to rely entirely upon foreign makes. The progress, however, of industries at home and the autonomy of the government's arsenal gradually made foreign manufactured articles less important. Therefore, the payments to foreign countries as war and armament expenditures should have gradually dimin-

ished; but, in reality, the imports of foreign-made war requisities never decreased in value and quantity on account of the wonderful increase of demand for them. Although no conclusion can be reached on these points in the absence of proper statistics of the imports and exports of war requisites, Tables B[1] and C[2] will show the increase and decrease in the imports and exports in war time of some articles that may be classed as military stores.

According to the first table, exports of munitions decreased very slightly even in war times. Excepting the excess of exports for the year 1877 over those for the year 1876, exports for the years 1894–95 decreased very slightly as compared with those for the year 1893. Moreover, the decrease of exports for 1904–5, though it seems comparatively large on account of the increased exports of copper in 1903, due to special causes, can not be regarded as so large in reality. This state of affairs was brought about by the fact that, as these materials for munitions were at the same time the daily necessities of the nation, the general demand for them decreased along with the increase of the military demand.

According to the second table, the imports of munitions increased in some degree in consequence of the wars. The value of the imports in 1877 was over five times as great as that in 1876. The imports in 1894–95 increased by 50 or 70 per cent of those in 1893, and in 1904–05 by 38 or 150 per cent of those in 1903. This means the abrupt increase of demand for munitions during the wars; in other words, the effects produced directly by war expenditures.

Other matters indicative of the manner in which war or armament was related to the vicissitudes in foreign trade do not come within the scope of this study. We have, however, to state that, in spite of several contests with foreign countries, Japan was able to maintain her sea power at all times during the wars, and to keep herself free from any lasting disastrous effects on her foreign trade. This was of the greatest advantage to her economic development.

[1] *Post*, p. 243. [2] *Post*, p. 244.

TABLE A.—DOMESTIC CONSUMPTION OF COAL, 1903–1906

Year	For ships		For railways		For factories		For salt manufacture		Total	
	Tons	Per cent of total	Tons	Per cent of total	Tons	Per cent of total	Tons	Per cent of total	Tons	Per cent of total
1903	1,716,806	25.01	721,420	10.51	3,616,558	52.69	809,263	11.79	6,864,047	100.00
1904	2,192,942	30.05	746,776	10.23	3,646,786	49.97	711,869	9.75	7,298,373	100.00
1905	1,905,542	30.20	828,305	12.72	3,224,654	49.54	490,986	7.54	6,509,487	100.00
1906	1,776,278	24.79	1,025,378	14.31	3,714,484	51.84	649,503	9.06	7,165,643	100.00

TABLE B.—VALUE OF EXPORTS OF PRINCIPAL MILITARY STORES

Exports	1876	1877	1893	1894	1895	1903	1904	1905
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Cotton piece goods	309	1,671	236,765	284,919	57,030	259,108	278,340	394,977
Cotton blankets	....	....	....	....	....	953,363	1,374,202	1,608,087
Coal for ships' use	115,296	86,442	410,659	435,626	468,747	[a]	[a]	[a]
Copper (ingots and slabs)	880,623	2,669,129	25,530,209	25,404,092	24,186,770	46,024,966	34,903,132	34,040,107
Railway sleepers	....	....	....	....	....	477,802	483,558	527,038
Total	996,228	2,757,242	26,177,633	26,124,637	24,712,547	47,715,239	37,039,232	36,570,209

[a] Not shown in the export statistics.

TABLE C.—VALUE OF IMPORTS OF PRINCIPAL MILITARY STORES

Imports	1876	1877	1893	1894	1895	1903	1904	1905
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Wheat	439	694	2,001	31,043	7,583	4,767,839	1,536,773	4,012,092
Flour	50,554	48,915	319,658	619,009	406,855	10,324,420	9,625,398	9,951,367
Hides and skins (bull, ox, cow and buffalo)	41,949	4,642	412,667	394,892	695,985	825,814	2,319,226	2,077,996
Sole leather	....	....	215,702	281,782	497,774	611,366	2,612,091	8,368,173
Cotton ducking	....	....	25,833	94,757	108,116	74,298	1,005,969	1,708,211
Cotton drills	46,007	49,068	64,804	172,599	519,972	108,644	1,221,702	1,012,292
Hemp cloths	8,317	17,049	13,944	45,007	119,775	145,429	176,058	150,921
Hemp canvas	50,973	125,819	18,144	91,670	254,404	16,136	480,701	2,381,214
Woolen cloths	....	490,738	790,033	507,356	2,015,344	2,532,826	1,636,281	18,866,261
Blankets	247,701	960,927	1,353,756	755,573	1,911,542	174,834	5,878,550	4,441,617
Iron pigs	18,015	40,734	449,477	743,553	673,796	1,256,910	2,248,265	5,534,014
Iron bars and rods	....	....	37,724,154	46,839,223	73,639,244	88,908,175	108,332,766	181,672,579
Steel bars and rods	196,445	611,739	6,286,778	4,985,909	6,919,739	4,606,599	4,289,157	13,368,160
Steel cable	....	....	175,027	576,871	680,151	870,117	819,049	1,966,002
Tin plates or sheets	499,380	608,076	965,656	5,352,636	5,012,949	10,738,868	30,193,671	50,376,630
Iron plates or sheets	....	....	11,401,554	22,204,212	27,497,027	57,726,685	73,917,008	129,841,819
Rails	....	....	667,871	1,209,205	925,531	2,751,972	1,696,918	942,633
Lead	356,035	868,721	2,942,007	2,726,253	5,305,913	8,626,580	10,608,239	16,295,638
Tin	138,630	175,747	235,941	468,123	573,631	728,761	1,741,269	2,076,309
Zinc	388,541	669,759	1,188,985	799,416	1,652,361	3,052,866	3,777,916	13,979,989
Aluminium	....	....	....	....	....	143,430	539,870	121,071
Brass and yellow metal	27,423	162,178	68,152	81,914	168,984	62,296	117,969	176,921
Iron nails	....	....	887,790	1,332,638	1,278,056	1,509,994	1,960,055	2,609,431
Locomotives, carriages and vans	....	....	622,819	1,760,865	1,906,865	2,772,812	3,205,419	4,376,906
Steamships	71,675	1,226,400	865,428	8,202,549	4,700,555	1,733,427	9,319,694	7,660,293
Binocular glasses	204	3,788	11,670	20,726	34,088	161,353	269,160	188,995
Total	2,142,288	6,064,794	67,709,851	100,297,781	137,470,240	205,232,451	279,529,174	483,975,534

CHAPTER V

SOCIAL EFFECTS

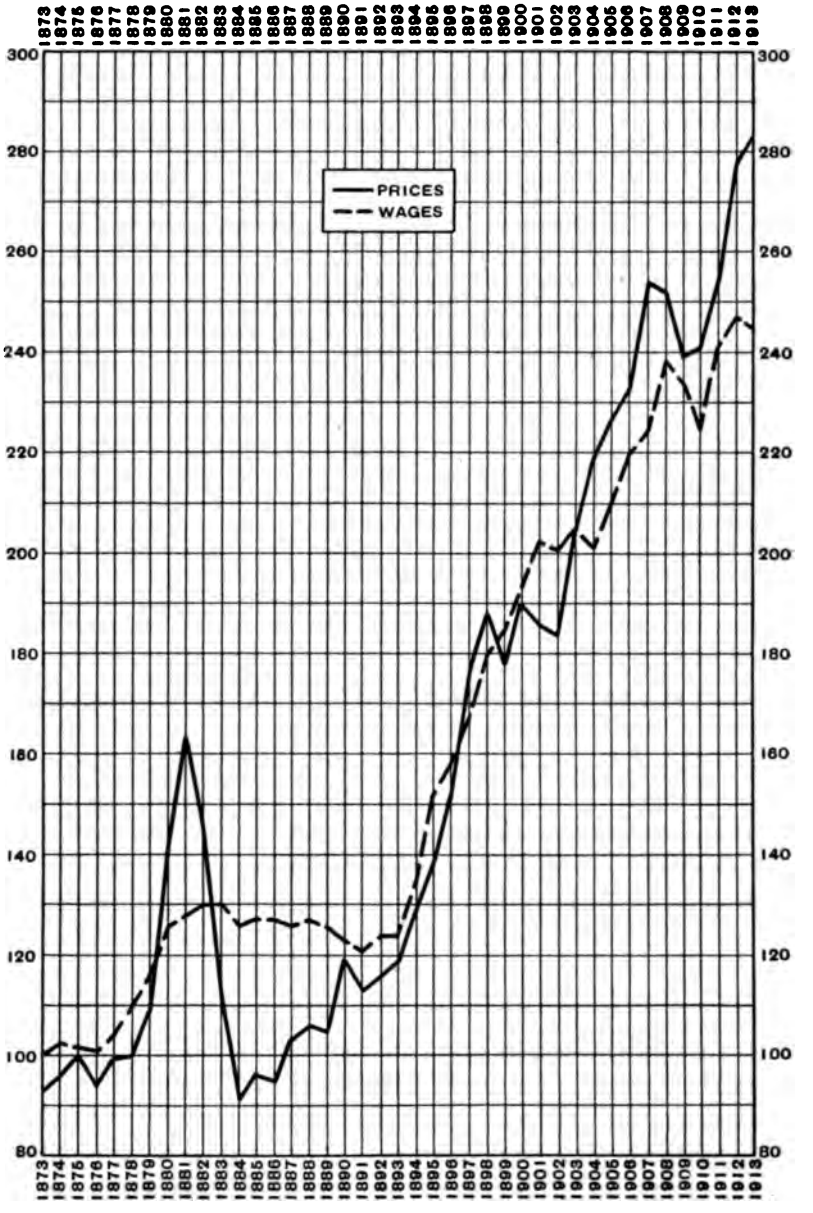
It is impossible to make any detailed demonstration as to how the war and armament expenditures were connected with the economic life of society, especially with every class of society and its living conditions, or with the static or dynamic condition of the population. In order to bring these social phenomena to light, it is fundamentally necessary to avoid a partial and fragmentary inquiry into the causes, as the explanation of a phenomenon can never be considered as perfect until it has been made by assiduously consulting various causes concerned with the phenomenon. The arguments on these points, however, do not admit of being conveniently grouped within the scope of our investigation. It is no useless work, however, to touch here on the effects on prices and wages alone, because the sudden disbursement of such large amounts as the war expenditures are likely to produce great effects upon both. The effects in question present themselves chiefly through the medium of monetary circulation, and those coming along such a course may be inferred by what has been described in Chapter III. In this chapter, therefore, the general trend of prices and wages will be epitomized, as covering a feature different from the remarks given in Chapter III.

Effects on Prices

At the beginning of the Meiji Era, prices varied throughout the country to such an extent that no standard prices for those days can now be ascertained. Several index numbers are published, of which the numbers reported by the Investigation Committee of the Monetary System and two kinds of the numbers used by the Bank of Japan are the most trustworthy. The diagram and table given at the end of this section have been worked out for the prices of twenty-three different articles in Tokyo by the Investigation Bureau of the Bank of

Japan, and are based on the figures of the Investigation Committee of the Monetary System, with those of the bank itself taken into consideration. They constitute the most convenient and reliable information regarding the history of prices in the Meiji Era. In looking into the trend of prices according to these index numbers, it is observed that no great fluctuations in prices took place from 1872 to 1877, but that there was a great advance in the years 1878, 1879, and 1880, and that the highest point was reached in 1881. Commencing a downward trend from the year 1882, they reached their lowest point in 1884, and then continued to show an upward tendency up to 1893. During the decade from 1894 to 1903, they again fluctuated and went highest in 1898 and 1900 and lowest in 1900 and 1901. They kept to the third appreciation for years afterward, until at last they reached their height in 1907 and have not shown a downward tendency since that time. In short, prices in Japan tended to rise at the ratio of thirty-two years of appreciation to fifteen years of depreciation, and made far greater advances than prices in London. Further explanation in reference to this state of prices is here impracticable; but the reader should not fail to direct his attention to the fact that the advance of prices regularly continued for some years after the wars. This phenomenon was principally attributable to the relation of prices to the amount of currency in circulation, which was much affected by the war expenditures, as previously mentioned, and may be considered after all as having been due to the very payments of war expenditures. Generally speaking, the prices of daily necessities rose higher than those of luxuries. The prices of rice, soja beans, red beans, *miso*, etc., went up considerably after the Satsuma Rebellion, as compared with other commodities. After the Sino-Japanese War there was a great advance in the prices of rice, table salt, *miso*, pickled radishes, *sake*, etc., and a fall in the prices of dyestuffs, raw lacquer, copper, lead, soda, ginned cotton, etc. After the Russo-Japanese War, salt, sugar, *miso*, rye, barley, wheat, red beans, tobacco, hemp, etc., rose in price, while soy, *habutaye*, foreign iron, copper, tile, silk

FLUCTUATION IN PRICES AND WAGES IN TOKYO[1]



[1] Prices of commodities are the averages taken of rice and twenty-two other articles of necessity. Wages are calculated upon the averages for twenty-four principal kinds of labor, as carpentry, etc.

INDEX NUMBERS FOR PRICE AND WAGE FLUCTUATIONS IN TOKYO*

Year	Prices	Wages	Year	Prices	Wages
1873	94	100	1894	129	135
1874	96	103	1895	139	152
1875	100	102	1896	152	158
1876	94	101	1897	177	167
1877	99	104	1898	188	180
1878	100	110	1899	178	185
1879	119	116	1900	190	194
1880	143	126	1901	186	203
1881	163	128	1902	184	201
1882	146	130	1903	205	205
1883	112	130	1904	219	201
1884	91	126	1905	227	210
1885	96	127	1906	233	220
1886	95	127	1907	254	225
1887	103	126	1908	252	238
1888	106	127	1909	239	234
1889	105	126	1910	241	225
1890	119	123	1911	254	241
1891	113	121	1912	278	247
1892	116	124	1913	283	245
1893	119	124			

* Specially reported by the Bank of Japan.

fabrics, etc., went down. Desirable as it is to arrive at some conclusion in respect to how directly such a phenomenon as noted above was connected with the war and armament expenditures, in other words, to trace to what extent the prices of commodities advanced because of increasing military demand, the conclusion will be left ultimately to the reader. Concerning the phenomenon under review, however, it is believed that comparatively explicit causes and effects are obtainable by making inquiries into the changes in monetary circulation and the national burden of taxes, particularly of indirect taxes.

EFFECTS ON WAGES

As shown by the foregoing table, the rise and fall of wages followed that of prices at all times in the Meiji Era, and wages always fluctuated somewhat less than prices. Although it is evident that the effects of the war and armament expenditures on wages were as wide and substantial as on prices, we believe that they came about chiefly through the

monetary circulation, as in the case of prices. We have sought to elucidate this fact in detail, namely, that the war and armament expenditures directly created a demand for labor, causing wages to rise, and, when such demand decreased, to fall again. The interpretation, however, is found very difficult so far as the statistical references at hand are concerned; and it is specially unattainable considering that it was common, in every war under notice, that wage earners connected with the wars, as blacksmiths or ship carpenters, for instance, were no better paid than tile layers, roofers, etc., who had no relation to the wars.

CHAPTER VI

CONCLUSION

There remain numerous points of discussion which should be touched upon, but which can not possibly be enumerated in the present historical investigation of the relations that exist between wars and economy. The observations made in the foregoing pages concerning the raising and disbursement of funds for war and armament cover but a small part of these numerous subjects and by no means complete the historical study of the relations between economy and wars or armaments. It may be recognized, in some sense, that the effects of war and armament expenditures on economy are thoroughly comprehensive of all of those on economy arising from wars and armaments, because no wars and armaments could exist without necessary expenditures for carrying them on. As stated in the introduction, however, a study covering so wide a scope as the above has neither been the purport of this part of our work nor intended by us from the commencement.

All the war and armament expenditures during the last forty-six years amounted to more than 5,000,000,000 *yen*, and they have had influences on all phases of activity in Japan. It is interesting to look back into the past economic development of the country under such heavy burdens of expense. The statistics in the table on the following page give a general idea of the economic development of the nation.

In the following table, the numbers of companies, factories, and workmen in 1876 are left blank; the industries then carried on under a factory system in the modern sense belonged to the infant stage of organization and were too insignificant to be numbered; and the exports, imports, railways, and steamships were also in a very young and rudimentary condition as compared with those at present. In 1893, seventeen years later, industries, carrying trades, etc., had gradually improved. During the decade after 1893 such great progress was made in

ECONOMIC DEVELOPMENT OF JAPAN[a]

Items	1876	1893	1903	1913	Index numbers of 1893 against 1876	Index numbers of 1903 against 1893	Index numbers of 1913 against 1903
Population (excluding Formosa and Korea)	34,338,404	41,388,313	46,732,841	52,398,000	121	115	112
Annual expenditure[a] (*yen*)	59,308,956	84,581,872	249,596,131	562,600,064	142	293	224
Annual revenue (*yen*)	59,481,036	113,769,381	260,220,758	596,633,009	190	230	230
National loans (*yen*)	53,927,344	234,814,851	538,962,520	2,562,421,928	435	223	476
Companies' employees	....	4,133	9,247	13,887[c]	..	222	222[c]
Paid-up capital of companies (*yen*)	....	209,865,099	887,606,190	1,756,610,411[c]	..	421	198[c]
Factories	....	....	8,274	15,119[c]	..	..	182[c]
Artisans	....	....	483,839	863,447[c]	..	..	178[c]
Coal consumption (tons)	356,700	1,765,628	6,974,145	13,487,907[c]	480	397	193[c]
Rice production (*koku*)	26,599,181[b]	37,199,633	46,473,298	50,255,267	140	124	108
Raw silk production (*kin*)	....	7,709,713	11,478,700	21,410,563[c]	..	148	190[c]
Registered tonnage of steamships (tons)	40,248	....	408,990	956,196	..	..	234
Railway mileage	26	1,939	4,496	5,985[c]	..	249	133[c]
Value of exports (*yen*)	27,711,528	89,712,866	289,502,442	632,460,213	330	321	218
Value of imports (*yen*)	23,964,679	88,257,172	317,135,517	729,431,644	322	360	230
Currency in circulation (*yen*)	163,692,345	238,498,319	300,079,556	534,733,873	145	121	178
Amount of bank notes (*yen*)	106,891,583	171,419,247	232,920,563	426,388,707	161	138	182
General bank deposits at end of year (*yen*)	4,421,932	38,426,210	566,227,638	1,357,271,685[c]	865	147	240[c]
Savings deposits (*yen*)	....	6,035,455	60,692,207	166,533,486	..	1,050	273
Postal savings (*yen*)	60,192	24,815 986	31,471,211	195,673,793	420	128	620
Bank clearings (*yen*)	....	211,619,531	3,594,247,497	10,401,234,713	..	1,005	290

[a] The fiscal year is used for the annual expenditure and revenue, and figures for other items are at the end of a calendar year.
Railways, currency in circulation, amounts of bank notes, and population do not include those in the colonies.
Value of articles exported and imported includes neither those transferred to or from the colonies nor special articles exported to or imported from foreign countries.

[b] 1877.

[c] 1912.

every phase of activity—railways, steamships, factories, companies, capital of companies, exports and imports, etc.—that all lines showed an increase of two or three times over the previous figures. During the last decade additional progress was made, but it was slightly less than in the former decade. In short, the economic phenomena in Japan have progressed by great strides in all quarters of business, and the national economy could afford to make tremendous war and armament expenditures from its own resources, still showing itself good enough for further charges.

Let us now consider these improvements through every decade. The first decade witnessed the destruction of feudalism and the introduction of the modern economic system in its place; the second decade was the period in which the new system that had been created in the former decade was strenuously perfected and finally completed. Great difficulties were surmounted; and for twenty years after that the national economy was most active and progressive, making two conspicuous developments, respectively after the Sino-Japanese and the Russo-Japanese Wars. The economic changes have been dealt with in the foregoing chapters. In general, however, scarcely any economic change occurred with little or no direct or indirect relation to wars and armaments.

War and armament expenditures contributed, as a matter of course, to the increase of the government's annual expenses and to terrible difficulties in finance, and made it extremely hard to keep finance in harmony with the national economy. Even in the above table, containing only a few figures, the increasing rates in the various items of public finance are observed to be much greater than those in the items belonging to the national economy. This goes to prove that the economic phenomenon common to all the modern states has also come into existence in Japan.

The effects on finance created by war and armament expenditures may be grouped under the following categories: the first on taxes, the second on public loans, and the third on the meeting of receipts and outlays. As to the first, in the em-

ployment of taxation, the government pressed the people to pay extraordinary expenditures out of their income or property, so that its enforcement tended to produce the most important effects upon the production and distribution of the national economy. With regard to the second effect, the public loans were the cause of the serious expansion of finance, which effects can not be said to have been smaller than those on taxes. With regard to the third effect, on the meeting of receipts and outlays of the state, it may be remarked that there appeared great disturbances in the monetary world several times, bringing about activity and dulness alternately over the whole economic circle; that is, the increased issues of inconvertible notes in the early days of the Meiji Era and the Satsuma Rebellion, the imports of foreign capital in the Sino-Japanese and the Russo-Japanese Wars, and the inflation of currency in circulation may be recognized as the most remarkable of the effects. At the time of the anomaly in the money market, if the prevalent excitement had been properly controlled or the government authorities and the bankers had entertained a better foresight, from the point of view of national economy, the effects might have been limited to a less extent; or if more dexterous hands had been employed in the administration of finance, the pressure of finance on the money market would have been less extensive. It is admitted, however, that the widespread effects were inevitable, as war and armament expenditures amounted to huge sums in the receipts and outlays. Looking generally at the effects on the monetary circulation, it is noticeable that the military expenditures tended to absorb the productive capital out of the people's purses and to dissipate it unproductively, whereby there naturally appeared, on the one hand, a tendency toward growing floating capital in abundance, and, as it was difficult to get an equilibrium of receipts and expenditures by the National Treasury, the currency in circulation met with irregular demands, according to the needs of financial administration, so that, on the other hand, there sometimes arose a tendency toward unnatural inflation. The general survey of these points has been at-

tempted already, but by considering the sum per capita of currency in proportion to the whole population of this country, the above-mentioned remarkable inflation will be brought more thoroughly to the reader's understanding. The sum per capita of currency was below 5.00 *yen* until the year 1877, but went over 6.00 *yen* in 1878 and 1879. After that, until 1893, it was less than 5.50 *yen* and gradually increased to 7.52 *yen* in 1897; and no further increase appeared until 1903. It was put at 8.34 *yen* in 1904, at 9.00 *yen* in 1906, at 9.90 *yen* in 1907, and at 10.00 *yen* in 1908, and has not gone down below 11.00 *yen* since then. This condition of currency can not be recognized as true, though, of course, due to the increased output of gold and silver and other causes in general, without regard to the profound connection with the war expenditures.

We have already seen that war expenditures had much to do directly with every post-bellum appreciation of prices and wages, and that laborers found themselves under utterly unfavorable circumstances owing to the slow advance of wages in proportion to that of prices. And the rise of prices, as a matter of fact, contributed to the excessive imports. In the last forty-six years the import trade exceeded the export trade for thirty-one years by more than 1,000,000,000 *yen*, in round numbers, while the export trade exceeded the import trade for only fifteen years by more than 134,281,000 *yen* in all; the balance, the net excess of imports, exceeded 869,237,000 *yen*. There is no doubt that, though the cause of the above situation in foreign commerce does not permit of hasty treatment, the expenditures for war and armament had not a little to do with it. The balance of foreign trade, favorable or unfavorable, seems unworthy of much notice, for such changes must come naturally one after the other; and yet it is evident that a country such as Japan, which has run into debt so long, can not keep abreast of foreign countries in her trade relations unless her exports exceed her imports. From this point of view, therefore, we may say that the national economy naturally met with anomaly in various quarters in consequence of the past heavy excess of imports. Its fitful activity and its re-

action in the market, as seen in the foregoing consideration, coming subsequent to the excessive influx of foreign capital, may be cited as one of the best instances.

It can not escape our notice that not only the armament expansion and the wars were conducive to the development of commerce and industry interested in military requisites, but these developments also militated in favor of general improvement in the economic world. The influences, however, upon any branch of business outside of the industry and commerce directly related to military affairs can not but be considered as immaterial; for it can not escape our attention that the improvement of military commerce and industry, in some cases, involved some particular obstacles to the growth of these other lines of business. But as regards transportation and communication, it may be admitted that their improvement was splendidly attained owing directly or indirectly to the expenditures for war and armament, on account of the imperative utilization of railways, ships, telegraph, telephone, etc., for military purposes; that is, owing to the government's protective policy for the shipping trade, the munificent bounties allowed to railway constructions, and the nationalization of private railway lines. If these national expenses be classified in a strict sense, should the expenditures for such a policy of communication be transferred to some extent to the armament expenditures? There may be some who stand on the affirmative side of the question, judging from the nature and origin of the policy. If so, it seems to us somewhat too bold to reach the conclusion that the expenditures for war and armament were the sole mainstay in the betterment of the communication system.

In short, while dealing with the economic advancement in this country, as well as its relation with war and armament expenditures, we have observed that the relation is one of so great complexity that we can by no means reach an accurate conclusion; but as the expenditures for war and armament were the heaviest and constant burden of the state, and the raising and disbursement of the expenditures played the most important part in the state finance, likewise conspicuous were their

effects presented in all phases. Of the four epochs specified for the sake of convenience in studying the expenditures, the last three have seen economic progress peculiar to each. Concisely stated, great development arose in economic circles regularly subsequent to each of the great wars; and while it is impossible for us, from the nature of the question, to fathom exactly the deep direct connection existing between such great economic developments and war and armament expenditures, it is beyond doubt that they at least had their bearings upon war and at the same time upon armament so far as the wars can claim connection with the armament planned previously to the wars. Admitting these remarks, it may be logically inferred that the post-bellum improvements in economy have been derived from war and armament expenditures in view of the existence of a close relation between wars or armament and expenditures for war or armament.

We have already considered that the post-bellum economic improvements were sure to be followed by reactionary dulness in the economic world, which may be, in other words, called the "result of results," the secondary or indirect effect brought about by the expenditures.

War puts the nation in a strained condition, and the burden of armament expenditures stimulates the people to the self-consciousness of an effort on a firmer basis of nationalism. Such a state of the national spirit gives the best opportunity for improvement in national economy, and how much more should it be the case with the high-spiritedness of the nation elevated through a victory in war? Our history of these forty-six years never fails to account for these conditions. We do not hesitate, from this point of view, to congratulate ourselves upon a war and particularly upon a victory in war as efficient causes of improvement in national economy. The healthy progress of economy, however, distinguishes itself in its slow but steady presence, while a too sudden and abrupt activity sometimes involves a setback in the progress, which reactionary prostration makes itself much more effective upon economic circles. Often we have met with such cases in the

foregoing consideration of the relation between our economy and the expenditures for military affairs, as where there appeared activities in the market, after the Satsuma Rebellion, the Sino-Japanese War, and the Russo-Japanese War, the rise of a speculative fever and spirit, a boom in the stock market, the production of luxuries, the heavy increase of imports, the prodigality of capital and its following dearth, the failure of enterprises, excessive precaution among enterprising people, the decrease of general consumption, and at length extreme inactivity in the economic world. Is it not, then, sufficient to state that on the whole war and armament expenditures would be found rather productive of unfavorable effects on these points if careful investigation were made broadly in the field of our study? Although, in illustrating the post-bellum economic developments, some investigators are prone to harbor the opinion that the past economic improvements are exclusively attributable to the wars, we have an opinion quite to the contrary; the economic progress is, so to speak, like the growth of a plant. To give light to it or to expose it to heat and cold is essential for its growth in giving stimulus to it, but to break off its bark or branches promises no good to its growth. Anyone who attempts to decide the growth of a plant by simply looking at its thriving young shoots after a heavy damage has been suffered can never be said to be well acquainted with botany.

APPENDIX

STATISTICAL TABLES OF EXPENDITURES FOR WAR AND ARMAMENT

NOTE. — In the tables throughout this appendix, as in the rest of the volume, fractions of *yen* greater than one half have been counted as a whole *yen* and the other fractions have been disregarded. Other apparent discrepancies between figures for the same items appearing in different tables are due to the use of different sources in the compilation of the tables.

TABLE 1.—ARMAMENT EXPENDITURES FOR THE ARMY, FROM THE FIRST FISCAL PERIOD (1868) TO 1876

Fiscal year	Ordinary	Extraordinary				Total of ordinary and extraordinary expenditures
		Purchase of arms	Building of barracks	Conscription expenses	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
First	1,008,120	545,936	21,678	....	567,614	1,575,734
Second	1,347,562	42,500	53,404	....	95,904	1,443,466
Third	1,355,832	....	68,713	....	68,713	1,424,545
Fourth	3,195,156	....	57,811	....	57,811	3,252,967
Fifth	7,346,649	....	352,698	....	352,698	7,699,347
Sixth	8,128,141	....	81,606	288,008	369,614	8,497,755
Seventh	8,673,709	....	51,681	7,786	59,467	8,733,176
Eighth	3,642,066	3,443,966	144,714	31,853	3,620,533	7,262,599
1875	6,959,736	....	....	....	....	6,959,736
1876	6,904,829	....	....	....	....	6,904,829
Total	48,561,800	4,032,402	832,305	327,647	5,192,354	53,754,154

TABLE 2.—ARMAMENT EXPENDITURES FOR THE NAVY, FROM THE FIRST FISCAL PERIOD (1868) TO 1876

Fiscal year	Ordinary	Extraordinary				Total	Total of ordinary and extraordinary expenditures
		Purchase of warships	Warships sundry expenses	Arms and ammunition	Coast guards		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
First	....	30,000	....	....	....	30,000	30,000
Second	....	147,000	....	....	....	147,000	147,000
Third	....	....	75,629	....	225,495	301,124	301,124
Fourth	....	....	....	....	....	....	....
Fifth	1,767,450	101,544	....	....	....	101,544	1,868,994
Sixth	1,188,684	....	1,629	....	....	1,629	1,190,313
Seventh	1,685,237	....	....	....	....	....	1,685,237
Eighth	1,033,713	1,414,306	....	1,074,280	....	2,488,586	3,522,299
1875	2,825,843	....	....	....	....	....	2,825,843
1876	3,424,998	....	....	....	....	....	3,424,998
Total	11,925,925	1,692,850	77,258	1,074,280	225,495	3,069,883	14,995,808

TABLE 3.—WAR EXPENDITURES OF THE SATSUMA REBELLION, 1877

Arrangement by Items

Items	Fighting	Recruiting	Guarding	Imperial sojourning	Dispatching	Rewards	Charitable donations	Criminal dealings	Miscellaneous	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries	1,819,579	....	178,650	....	....	....	....	195	26,165	2,024,589
Allowances to employes	8,020,934	5,596	59,105	4,184	1,634	....	....	33,683	80,593	8,205,729
Traveling expenses	4,497,318	733,183	913,668	39,715	66,593	....	....	37,775	87,201	6,375,453
Provisions	2,677,488	....	....	....	....	....	....	....	....	2,677,488
Clothing and camp utensils	3,290,015	....	....	....	....	....	....	....	....	3,290,015
Weapons	4,523,384	3,384	23,025	....	....	....	....	....	....	4,549,793
Supplies	593,610	34,006	61,343	6,928	1,124	....	....	9,579	54,559	761,149
Communication	76,095	55	9,225	745	7,110	....	....	969	6,377	100,576
Transportation	7,564,274	5,078	65,554	7,814	284	....	....	1,774	74,367	7,719,145
Construction	872,780	441	40,827	8,517	126	....	....	15,533	150,378	1,088,602
Stables	2,583	91	2,771	2,183	....	....	....	....	515	8,143
Sick and wounded	341,494	1,321	3,131	....	....	....	....	14,675	7,750	368,371
Interment	174,868	....	324	....	....	....	....	....	911	176,103
Funeral aids	15,930	....	1,306	....	....	....	....	....	4,516	21,752
Prisoners	10,612	....	....	....	....	....	....	....	....	10,612
Detectives	22,090	....	25,032	....	11,674	....	....	....	1,415	60,211
Sundry allowances	337,003	438,252	99,662	150,288	12,597	....	....	11,937	45,307	1,095,046
Losses	59,376	....	....	....	....	....	....	....	49,974	109,350
Boarding	....	62,168	98,040	381	223	....	....	28,896	63,329	253,037
Clothing	....	88,752	58,618	....	7	....	....	22,015	34	169,426
Imperial uses	....	....	....	35,352	....	....	....	....	....	35,352
Chartered vessels	....	....	23,589	....	....	....	....	2,621	143,808	170,018
Gratuities	....	....	....	....	....	195,269	....	....	....	195,269
Allowances to widows and orphans	....	....	....	....	....	52,993	....	....	....	52,993
Decorating expenses	....	....	....	....	....	19,600	....	....	....	19,600
Poor relief	....	....	....	....	....	....	117,356	....	....	117,356
Temporary sheds	....	....	....	....	....	....	283,035	....	....	283,035
Sufferers' relief fund	....	....	....	....	....	....	1,123,907	....	....	1,123,907
Sundry expenses	396,147	73,993	14,253	31	1,726	....	....	1,644	17,813	505,607
Total	35,295,580	1,446,320	1,678,123	256,138	103,098	267,862	1,524,298	181,296	815,012	41,567,727

TABLE 3.—WAR EXPENDITURES OF THE SATSUMA REBELLION, 1877—*Continued*

Settled Accounts of Various Departments, Offices, and Prefectures

Branch of Service	Fighting	Recruiting	Guarding	Imperial sojourning	Dispatching	Rewards	Charitable donations	Criminal dealings	Miscellaneous	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Dajokan (State Council)	....	....	....	....	58,501	248,262	....	....	....	306,763
Foreign Office	....	....	....	....	836	....	....	....	28,633	29,469
Home Office	....	....	....	....	13,288	....	....	....	688	13,976
Finance Department	....	....	3,634	....	9,334	19,600	....	....	18,452	51,020
Army Department	30,241,330	116,804	....	....	....	....	....	....	....	30,358,134
Navy Department	654,529	....	....	....	....	....	....	....	....	654,529
Educational Department	....	....	....	....	2,250	....	....	....	....	2,250
Engineering Department	....	....	8,842	....	1,195	....	....	....	3,622	13,659
Department of Justice	....	....	....	....	10,281	....	....	....	13,694	23,975
Imperial Household Department	....	....	....	256,138	....	....	....	....	....	256,138
Hokkaido Colonial Government	136,489	75,351	11,102	....	7,413	....	....	....	....	230,355
Post Office	....	....	....	....	....	....	....	....	44,101	44,101
Police Bureau	4,211,352	1,145,580	935,262	....	....	....	....	9,305	....	6,301,499
Temporary Law Court in Kyushu	....	....	....	....	....	....	....	15,848	....	15,848
Expeditionary Force, General Office	....	....	....	....	....	....	....	....	3,100	3,100
Fukuoka Prefecture	27,398	901	69,180	....	....	....	15,126	2,866	31,552	147,023
Oita Prefecture	12,280	7,664	100,606	....	....	....	53,094	14,429	26,450	214,523
Kumamoto Prefecture	12,202	2,873	65,149	....	....	....	615,493	9,289	257,636	962,642
Kagoshima Prefecture	....	....	....	....	....	....	840,505	64,914	387,084	1,292,503
Other prefectures outside war districts	....	97,147	484,348	....	....	....	80	64,645	....	646,220
Total	35,295,580	1,446,320	1,678,123	256,138	103,098	267,862	1,524,298	181,296	815,012	41,567,727

TABLE 4(A).—ARMAMENT EXPENDITURES FOR THE ARMY, 1877–1893

Ordinary and Extraordinary Expenditures

Items	1877	1878	1879	1880	1881	1882	1883	1884	1885
Ordinary:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Army Department[a]	6,035,940	6,409,005	7,766,919	8,434,530	8,208,609	8,588,117	10,250,424	10,618,712	9,606,237
Expenditures for military affairs	....	....	....	....	....	....	....	....	....
Gendarmerie	....	....	....	....	....	....	....	....	....
Contributions to Yasukuni Shrine	....	....	....	....	....	....	....	....	....
Decoration annuities[b]	38,137	144,989	154,435	150,590	148,285	147,782	145,613	143,727	70,868
Pensions[c]	13,857	274,567	200,577	178,473	145,375	142,014	134,580	138,364	110,869
Gratuities	....	....	....	....	....	....	....	91,563	65,215
Hokkaido Colonial Troops	....	....	....	....	....	....	....	....	....
Total	6,087,934	6,828,561	8,121,931	8,763,593	8,502,269	8,877,913	10,530,617	10,992,366	9,853,189
Extraordinary:									
Construction of batteries	....	....	....	....	240,000	240,000	193,350	141,274	486,034
Building and repairs	....	....	....	....	60,000	32,276	....	....	....
Manufacture of arms[d]	....	....	....	....	....	....	....	....	....
Prevention of epidemics	....	....	....	....	....	....	....	....	....
Postbellum adjustments	....	....	....	....	....	....	....	....	....
Gratuities	....	811,541	620,393	12,189	21,256	276,785	2,300	8,862	11,800
Temporary construction office	....	....	35,870	36,254	103,492	....	....	....	....
Special expenses of Hokkaido Colonial Troops	....	20,090	26,407	....	....	....	....	....	....
Special expenses for travels abroad	....	....	....	....	....	....	....	....	....
Industrial enterprises	....	....	290,160	122,671	39,848	173,348	123,560	360,026	48,107
Dispatching of gendarmes	....	....	....	....	....	....	....	....	....
Additional construction of Senju Woolen Factory	....	....	....	....	....	....	....	....	....
New construction of gunpowder factory	....	....	....	....	....	....	....	....	....
Business capitals	....	....	....	....	....	....	....	....	37,717
Miscellaneous[e]	....	....	....	4,325	....	190	....	....	....
Total	....	831,631	972,830	175,439	464,596	722,599	319,210	510,162	583,658
Grand total	6,087,934	7,660,192	9,094,761	8,939,032	8,966,865	9,600,512	10,849,827	11,502,528	10,436,847

[a] Prior to 1885 for the Army only. For details, see Table 4(b), *post*, p. 267. [b] Refer to both Army and Navy. [c] Include those of Navy.
[d] In the Manufacture of Arms for 1887, 1889 and 1892 are included cannon-making and arms and ammunition, office expenses and establishment of gun-cotton works.
[e] Means maneuvering in 1892, Saga Insurrection in 1890, replacing fire-destroyed properties in 1889, purchase of horses in 1888, treatment of the wounded in 1880, and conscript medical orderly in 1882.

TABLE 3.—WAR EXPENDITURES OF THE SATSUMA REBELLION, 1877—*Continued*

Settled Accounts of Various Departments, Offices, and Prefectures

Branch of Service	Fighting	Recruiting	Guarding	Imperial sojourning	Dispatching	Rewards	Charitable donations	Criminal dealings	Miscellaneous	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Dajokan (State Council)	....	....	....	....	58,501	248,262	....	....	....	306,763
Foreign Office	....	....	....	....	836	....	....	....	28,633	29,469
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Finance Department	....	....	3,634	....	9,334	19,600	....	....	18,452	51,020
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Navy Department	654,529	....	....	....	....	....	....	....	....	654,529
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Department of Justice	....	....	....	....	10,281	....	....	....	13,694	23,975
Imperial Household Department	....	....	....	256,138	....	....	....	....	....	256,138
Hokkaido Colonial Government	136,489	75,351	11,102	....	7,413	....	....	....	....	230,355
Post Office	....	....	....	....	....	....	....	....	44,101	44,101
Police Bureau	4,211,352	1,145,580	935,262	....	....	....	....	9,305	....	6,301,499
Temporary Law Court in Kyushu	....	....	....	....	....	....	....	15,848	....	15,848
Expeditionary Force, General Office	....	....	....	....	....	....	....	....	3,100	3,100
Fukuoka Prefecture	27,398	901	69,180	....	....	....	15,126	2,866	31,552	147,023
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Kagoshima Prefecture	....	....	....	....	....	....	840,505	64,914	387,084	1,292,503
Other prefectures outside war districts	....	97,147	484,348	....	....	....	80	64,645	....	646,220
Total	35,295,580	1,446,320	1,678,123	256,138	103,098	267,862	1,524,298	181,296	815,012	41,567,727

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Expenditures for military affairs	....	....	....	....	....	....	....	....	....
Gendarmerie	....	....	....	....	....	....	....	....	....
Contributions to Yasukuni Shrine	....	....	....	....	....	....	....	....	....
Decoration annuities[b]	38,137	144,989	154,435	150,590	148,285	147,782	145,613	143,727	70,868
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Gratuities	....	....	....	....	....	....	....	91,563	65,215
Hokkaido Colonial Troops	....	....	....	....	....	....	....	....	....
Total	6,087,934	6,828,561	8,121,931	8,763,593	8,502,269	8,877,913	10,530,617	10,992,366	9,853,189
Extraordinary:									
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Building and repairs	....	....	....	....	60,000	32,276	....	....	....
Manufacture of arms[d]	....	....	....	....	....	....	....	....	....
Prevention of epidemics	....	....	....	....	....	....	....	....	....
Postbellum adjustments	....	....	....	....	....	....	....	....	....
Gratuities	....	811,541	620,393	12,189	21,256	276,785	2,300	8,862	11,800
Temporary construction office	....	....	35,870	36,254	103,492	....	....	....	....
Special expenses of Hokkaido Colonial Troops	....	20,090	26,407	....	....	....	....	....	....
Special expenses for travels abroad	....	....	....	....	....	....	....	....	....
Industrial enterprises	....	....	290,160	122,671	39,848	173,348	123,560	360,026	48,107
Dispatching of gendarmes	....	....	....	....	....	....	....	....	....
Additional construction of Senju Woolen Factory	....	....	....	....	....	....	....	....	....
New construction of gunpowder factory	....	....	....	....	....	....	....	....	....
Business capitals	....	....	....	....	....	....	....	....	37,717
Miscellaneous[e]	....	....	....	4,325	....	190	....	....	....
Total	....	831,631	972,830	175,439	464,596	722,599	319,210	510,162	583,658
Grand total	6,087,934	7,660,192	9,094,761	8,939,032	8,966,865	9,600,512	10,849,827	11,502,528	10,436,847

[a] Prior to 1885 for the Army only. For details, see Table 4(b), *post*, p. 267. [b] Refer to both Army and Navy. [c] Include those of Navy.
[d] In the Manufacture of Arms for 1887, 1889 and 1892 are included cannon-making and arms and ammunition, office expenses and establishment of gun-cotton works.
[e] Means maneuvering in 1892, Saga Insurrection in 1890, replacing fire-destroyed properties in 1889, purchase of horses in 1888, treatment of the wounded in 1880, and conscript medical orderly in 1882.

TABLE 4(A).—ARMAMENT EXPENDITURES FOR THE ARMY, 1877–1893—*Continued*

Ordinary and Extraordinary Expenditures

Items	1886	1887	1888	1889	1890	1891	1892	1893	Total
Ordinary:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Army Department[a]	377,674	366,041	241,491	222,992	203,398	185,963	183,150	174,023	77,873,225
Expenditures for military affairs[b]	10,944,481	11,171,409	11,272,935	11,689,913	11,479,487	11,710,702	11,550,306	11,488,671	91,307,904
Gendarmerie	292,415	305,169	306,792	293,457	293,484	286,445	283,816	285,140	2,346,718
Contributions to Yasukuni Shrine	....	....	....	....	7,550	7,550	7,550	7,550	30,200
Decoration annuities[c]	143,138	141,316	139,653	138,337	136,530	132,283	130,308	127,653	2,233,644
Pensions[d]	180,615	197,684	231,906	213,397	311,267	395,641	489,147	623,187	3,981,520
Gratuities	....	....	....	....	....	....	....	....	156,778
Hokkaido Colonial Troops	....	....	....	....	454,071	466,082	473,414	464,445	1,858,012
Total	11,938,323	12,181,619	12,192,777	12,558,096	12,885,787	13,184,666	13,117,691	13,170,669	179,788,001
Extraordinary:									
Construction of batteries	....	505,559	830,484	356,902	463,185	291,999	487,350	1,386,897	5,623,034
Building and repairs	....	....	....	388,503	2,330,359	468,054	536,502	414,830	4,239,524
Manufacture of arms[e]	....	....	....	999,034	259,716	696,247	1,032,081	420,074	3,407,152
Prevention of epidemics	....	....	....	....	7,185	....	....	....	7,185
Postbellum adjustments	....	....	....	....	....	....	....	....	....
Gratuities	....	....	....	....	....	....	....	....	1,765,126
Temporary construction office	....	....	....	....	....	....	....	....	175,616
Special expenses of Hokkaido Colonial Troops	....	....	....	....	....	....	378	213	47,088
Special expenses for travels abroad	....	....	....	15,710	....	....	....	....	15,710
Industrial enterprises	....	31,163	....	73,222	....	....	....	....	1,262,105
Dispatching of gendarmes	....	....	....	....	....	6,786	....	7,218	14,004
Additional construction of Senju Woolen Factory	....	....	....	....	25,421	....	....	72,166	97,587
New construction of gunpowder factory	....	....	92,342	....	....	....	....	....	92,342
Business capitals	18,583	40,333	....	80,000	....	....	....	....	176,633
Miscellaneous[f]	....	....	9,152	5,970	224	....	80,705	....	100,566
Total	18,583	577,055	931,978	1,919,341	3,095,090	1,463,086	2,137,016	2,301,398	17,023,672
Grand total	11,956,906	12,758,674	13,124,755	14,477,437	15,980,877	14,647,752	15,254,707	15,472,067	196,811,673

[a] Prior to 1885 for the Army only. [b] For details, see Table 4(c), *post*, p. 268. [c] Refer to both Army and Navy. [d] Include those of Navy.
[e] In the Manufacture of Arms for 1887, 1889 and 1892 are included cannon-making and arms and ammunitions, office expenses and establishment of gun-cotton works.
[f] Means maneuvering in 1892, Saga Insurrection in 1890, replacing fire-destroyed properties in 1889, purchase of horses in 1888, treatment of the wounded in 1880, and conscript medical orderly in 1882.

TABLE 4(B).—ORDINARY EXPENDITURES UNDER THE CONTROL OF THE ARMY DEPARTMENT, 1877–1885

Branch of Service	1877	1878	1879	1880	1881	1882	1883	1884	1885	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Army Department proper	1,273,903	1,108,934	1,854,977	2,067,135	2,082,491	1,568,027	1,912,340	2,387,564	2,030,120	16,285,491
General Staff	87,619	122,409	249,604	415,389	325,570	331,081	384,415	402,482	347,341	2,665,910
Gendarmes	....	....	....	47,621	18,274	235,777	259,201	288,365	226,575	1,075,813
Military Inspection Department	....	21,544	58,433	75,552	77,214	76,673	81,032	81,333	60,839	532,620
Imperial Body Guard	432,713	363,052	427,189	440,866	448,589	473,416	452,313	562,912	505,250	4,106,300
Army Divisions	2,718,831	3,161,585	3,722,042	3,957,533	3,914,269	4,444,505	4,325,242	4,870,103	4,366,766	35,480,876
School for training non-commissioned officers	305,663	240,057	272,992	235,074	184,412	182,575	243,856	297,288	299,004	2,260,921
Artillery	....	....	189,370	87,598	78,972	73,518	89,967	136,581	85,274	741,280
Engineering Corps	404,360	441,180	541,504	664,048	461,469	430,166	1,372,390	864,919	1,493,906	6,673,942
Military Academy	146,644	139,267	137,128	124,724	125,373	147,068	175,671	256,430	203,840	1,456,145
Toyama Gakko (Military Gymnastics School)	39,652	92,622	42,547	57,126	17,838	19,559	57,010	98,445	51,469	476,268
Military Preparatory School	....	....	....	....	....	....	....	....	....	....
Medical Department	....	....	90,053	31,854	36,660	30,621	44,837	48,354	33,486	315,865
Hospital	149,488	98,621	....	56,528	57,899	70,770	66,961	69,487	49,042	618,796
Law court	18,711	21,183	22,038	22,482	21,957	5,963	....	....	....	112,334
Horse Bureau	99,726	97,348	120,165	132,160	129,238	119,996	117,494	201,035	176,036	1,193,198
Sick Horse Stable	18,518	18,191	23,204	18,831	17,973	17,976	20,606	23,586	17,405	176,290
Arsenal	340,105	483,004	15,661	....	....	....	....	....	....	838,770
Colonization Army Bureau	....	....	....	....	19,504	50,445	87,792	175,701	177,756	511,198
Actual Total	6,035,940	6,409,004	7,766,919	8,434,529	8,179,712	8,278,144	9,691,134	10,764,593	10,124,117	75,684,092
Treasury Settled Accounts Total[a]	6,035,940	6,409,004	7,766,919	8,434,529	8,208,608	8,588,116	10,250,423	10,618,711	9,606,237	75,918,487

[a] Fractions of a yen being left out in each item, the sum of figures of all the items does not exactly correspond with the actual total. From 1881 to 1885, differences are seen between the actual totals and the Treasury Settled Accounts totals, because the surplus brought forward from or the deficit in the preceding year was not reckoned in.

TABLE 4(C).—DETAILS OF EXPENDITURES FOR MILITARY AFFAIRS OF THE ARMY, 1886–1893 [a]

Items	1886	1887	1888	1889	1890	1891	1892	1893	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries and allowances	3,653,041	4,012,690	4,075,865	4,194,645	3,978,145	4,037,330	4,050,363	4,190,672	32,192,750
Office expenses	741,596	745,121	643,882	545,202	613,903	597,782	566,287	565,537	5,019,310
Repairs	953,656	849,026	956,294	547,815	308,555	189,113	187,538	187,838	4,179,835
Allowances for casualties	....	....	....	....	....	....	....	....	....
Compensations and legal expenses	61	195	....	15	2	....	....	....	273
Traveling expenses	374,753	316,236	277,470	289,099	267,201	268,376	248,428	264,756	2,306,319
Sundry	....	....	....	....	348,845	347,539	335,706	317,689	1,349,779
Provisions	1,492,074	1,681,141	1,484,847	1,562,869	1,948,548	1,858,808	1,937,714	2,051,117	14,017,118
Clothing	1,778,706	1,747,086	1,766,317	1,734,613	1,760,898	1,725,094	1,719,150	1,627,189	13,859,053
Arms and ammunition	967,995	983,744	1,060,160	1,660,804	911,665	1,320,211	1,055,687	936,924	8,897,190
Horses	389,604	423,627	425,872	512,649	722,278	708,469	735,411	729,172	4,647,082
Maneuvers and reviews	341,990	303,340	340,859	405,666	361,764	379,150	437,366	419,154	2,989,289
Patients	....	....	35,846	37,592	35,502	35,559	36,694	37,310	218,503
Retiring allowances	....	....	....	70	70	70	70	70	350
Prisoners	28,667	20,837	21,091	21,860	26,394	26,350	24,447	25,132	194,778
Secret Service expenses	16,325	14,864	8,011	4,534	4,500	4,549	4,549	32,000	89,332
Surveying	....	....	148,172	157,861	188,064	205,520	202,875	103,333	1,005,825
Imperial suite expenses	7,542	339	1,848	2,269	1,215	948	677	779	15,617
Foreign employes	....	....	....	....	....	5,833	7,344	....	13,177
Losses	756	1,350	805	361	460	....	....	....	3,732
Prison expenses	....	....	....	....	1,478	....	....	....	1,478
Balances paid in cash	....	....	....	11,989	....	....	....	....	11,989
Purchase of parade grounds	150,343	36,716	25,596	....	....	....	....	....	212,655
Medical treatment	47,372	35,097	....	....	....	....	....	....	82,469
Total	10,944,481	11,171,409	11,272,935	11,689,913	11,479,487	11,710,702	11,550,306	11,488,672	91,307,905

[a] Ordinary Expenditures: Expenditures for Military affairs under control of Army Department; sectional particulars.

TABLE 5(A).—ARMAMENT EXPENDITURES FOR THE NAVY, 1877–1893 [a]

Ordinary and Extraordinary Expenditures

Items	1877	1878	1879	1880	1881	1882	1883	1884	1885
Ordinary:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Navy Department[b]	3,167,512	2,804,021	3,079,859	3,165,222	3,014,758	3,160,492	3,080,634	3,193,300	2,634,658
Expenditures for military affairs	....	....	....	....	....	....	....	....	....
Pensions	....	....	....	....	....	....	....	....	....
Total	3,167,512	2,804,021	3,079,859	3,165,222	3,014,758	3,160,492	3,080,634	3,193,300	2,634,658
Extraordinary:									
Construction of warships for armament repletion	....	....	....	....	....	....	2,770,317	3,032,722	2,417,678
Civil engineering works	....	....	....	....	....	....	....	....	....
Building and repairs	....	....	....	....	....	....	....	....	....
Shipbuilding and repairing on commission	....	....	....	....	....	....	....	....	....
Shipbuilding expenses	....	16,494	41,945	106,233	91,133	131,720	237,093	....	....
Dispatching of warships	....	....	....	....	....	....	....	....	....
Industrial enterprises	....	....	....	....	....	....	....	34,843	242,126
Special expenses (construction of new warships)	....	....	....	....	....	....	....	....	....
Materials for Naval ordnance	....	....	....	....	....	....	....	....	....
Miscellaneous[c]	....	....	16,947	144,417	154,828	117,442	72,555	....	....
Business capital	....	....	....	....	....	....	....	....	39,669
Total	....	16,494	58,892	250,650	245,961	249,162	3,079,965	3,067,565	2,699,473
Grand total	3,167,512	2,820,515	3,138,751	3,415,872	3,260,719	3,409,654	6,160,599	6,260,865	5,334,131

[a] Figures are according to the Settled Accounts but certain items have been amalgamated.
[b] From 1877 to 1885 shows the total expenses under the control of the Navy Department. For details, see p. 271.
[c] Miscellaneous in 1887–1890 refer to Coast Defense Torpedo, and those in 1879–1885 to gunpowder making.

TABLE 5(A).—ARMAMENT EXPENDITURES FOR THE NAVY, 1877–1893—*Continued*[a]

Ordinary and Extraordinary Expenditures

Items	1886	1887	1888	1889	1890	1891	1892	1893	Total
Ordinary:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Navy Department[b]	489,663	468,926	299,164	155,666	134,488	115,218	107,373	91,740	29,162,694
Expenditures for military affairs[c]	3,862,866	4,472,598	5,169,388	5,121,666	5,651,893	5,297,273	5,239,812	5,049,736	39,865,232
Pensions	17,912	24,431	36,037	40,551	61,737	94,764	116,460	173,654	565,546
Total	4,370,441	4,965,955	5,504,589	5,317,883	5,848,118	5,507,255	5,463,645	5,315,130	69,593,472
Extraordinary:									
Construction of warships for armament repletion	....	....	....	161,142	380,983	730,636	2,162,291	1,938,514	13,594,283
Civil engineering works	....	....	....	517,095	717,940	633,109	343,220	556,748	2,768,112
Building and repairs	....	....	....	6,952	107,398	133,356	178,663	79,413	505,782
Shipbuilding and repairing on commission	....	....	....	....	23,595	35,025	21,640	29,484	109,744
Shipbuilding expenses	....	....	....	....	....	....	....	....	624,618
Dispatching of warships	....	....	....	....	79,198	....	18,006	41,274	138,478
Industrial enterprises	4,878	92,804	13,041	35,334	177,810	....	....	....	600,836
Special expenses (construction of new warships)	4,186,419	4,672,525	4,134,232	3,290,900	2,555,284	2,332,770	843,561	248,940	22,264,631
Materials for Naval ordnance	....	....	....	9,784	286,398	224,305	218,539	65,072	804,098
Miscellaneous[d]	346,911	69,680	104,674	4,835	44,318	....	....	....	1,076,607
Business capital	....	41,743	89,056	19,783	....	....	....	....	190,251
Total	4,538,208	4,876,752	4,341,003	4,045,825	4,372,924	4,089,201	3,785,920	2,959,445	42,677,440
Grand total	8,908,649	9,842,707	9,845,592	9,363,708	10,221,042	9,596,456	9,249,565	8,274,575	112,270,912

[a] Figures are according to the Settled Accounts, but certain items have been amalgamated.
[b] From 1877 to 1885 shows the total expenses under the control of the Navy Department. For details, see p. 271.
[c] For details, see p. 272.
[d] Miscellaneous in 1887–1890 refer to Coast Defense Torpedo, and those in 1879–1885 to gunpowder making.

TABLE 5(B).—ORDINARY EXPENDITURES UNDER THE CONTROL OF THE NAVY DEPARTMENT, 1877–1885

Branch of Service	1877	1878	1879	1880	1881	1882	1883	1884	1885	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Navy Department proper	1,527,264	715,847	886,338	331,790	178,158	196,929	617,393	936,812	1,033,604	6,424,135
Bureau of Military Affairs	115,569	136,999	149,099	140,779	122,822	90,939	48,593	....	....	804,800
Ships Superintending Bureau	440,467	532,265	627,667	1,039,290	993,861	1,126,861	496,945	242,429	....	5,499,785
Hydrographic Bureau	38,663	58,661	53,198	49,563	51,511	69,690	68,072	71,121	38,632	499,111
Medical Affairs Bureau	85,882	85,805	111,195	87,890	82,830	91,962	97,186	97,048[b]	58,530	798,328
Ordnance Bureau	84,613	182,799	165,530	252,616	221,399	278,107	393,816	273,320	251,910	2,104,110
Naval College	145,954	162,056	126,177	124,952	84,021	87,892	94,815	93,596	66,601	986,064
Law Courts	26,375	28,937	30,316	30,350	30,441	25,936	16,607	....	....	188,962
Tokai Naval Station	153,746	187,283	68,845	69,215	68,864	103,037	94,118	113,836	270,843	1,129,787
Warships	524,888	713,366	723,796	1,038,772	961,534	1,070,414	1,068,245	1,190,031	957,632	8,248,678
Nagasaki Branch	24,085	....	137,691[a]	....	....	....	7,119	6,321	4,774	179,990
Engineering College	....	....	....	....	21,180	22,090	31,281	31,757	27,247	133,555
Torpedo Bureau	....	....	....	....	....	....	60,491	81,268	96,821[c]	238,580
Total	3,167,506	2,804,018	3,079,852	3,165,217	2,816,621	3,163,857	3,094,681	3,137,539	2,806,594	27,235,885

[a] Branch of Tokai, N. S.

[b] Of this sum, 59,292 *yen* are for the Medical Head Office.

[c] Torpedo store.

TABLE 5(C).—DETAILS OF EXPENDITURES FOR MILITARY AFFAIRS OF THE NAVY, 1886–1893 [a]

Items	1886	1887	1888	1889	1890	1891	1892	1893	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries and allowances	1,793,696	2,111,090	2,331,353	1,914,554	1,861,929	1,978,054	1,981,548	1,890,758	15,862,982
Office expenses	476,868	536,707	562,406	221,863	203,661	150,342	138,117	165,485	2,455,449
Repairs	240,622	180,893	138,390	105,763	99,710	61,816	51,588	46,378	925,160
Compensations and legal expenses	....	....	301	....	....	....	....	1	302
Traveling expenses	129,204	100,641	122,240	165,266	151,831	137,650	134,296	122,750	1,063,878
Sundry	....	....	....	....	204,298	232,224	230,599	205,848	872,969
Provisions	....	....	....	571,648	642,722	573,150	549,456	527,173	2,864,149
Clothing	262,746	307,365	306,493	315,063	308,615	230,473	205,611	214,682	2,151,048
Shipbuilding and repairing	270,146	319,793	476,492	392,635	634,935	601,678	554,175	571,380	3,821,234
Maneuvers	....	11,452	21,866	29,927	20,033	14,557	34,075	21,192	153,102
Patients	....	....	24,074	23,916	16,105	15,386	12,972	12,855	105,308
Maintenance of warships	....	....	95,827	405,830	552,359	489,399	496,705	477,377	2,517,497
Aids	21	111,695	80,624	121,563	93,538	90,946	82,894	77,171	658,452
Prisoners	6,916	5,811	5,238	7,575	977	645	336	576	28,074
Hydrographic expenses	....	....	....	....	....	....	....	44,911	44,911
Foreign employes	....	....	....	....	....	1,980	2,640	2,250	6,870
Secret Service expenses	10,316	11,370	13,585	11,000	11,951	9,970	10,000	10,000	88,192
Arms, ammunition and torpedoes	527,760	531,941	920,026	770,946	798,644	709,003	754,800	658,949	5,672,069
Students	....	76,840	70,473	50,461	50,585	....	....	....	248,359
Balances paid in cash	....	....	....	13,656	....	....	....	....	13,656
Losses	9	....	....	....	....	....	....	....	9
Medical treatment	19,524	22,624	....	....	....	....	....	....	42,148
Coal	125,038	144,376	....	....	....	....	....	....	269,414
Total	3,862,866	4,472,598	5,169,388	5,121,666	5,651,893	5,297,273	5,239,812	5,049,736	39,865,232

[a] Ordinary Expenditures: Expenditures for military affairs under the control of the Navy Department; sectional particulars.

TABLE 6(A).—MILITARY EXPENSES OF THE SINO-JAPANESE WAR, 1894–1895

Army Department

Items	Special account	General account							Total of special and general accounts
		1896	1897	1898	1899	1900	1901	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries and allowances	15,393,744	695,820	143,411	101,977	....	....	..	941,207	16,334,951
Provisions	24,875,825	739,808	112,938	94,252	....	....	..	946,998	25,822,823
Clothing	20,836,651	2,283,074	110,265	78,983	....	....	..	2,472,322	23,308,973
Arms and ammunition	11,213,766	1,179,015	224,000	90,578	....	....	..	1,493,593	12,707,359
Horses	7,788,896	75,766	12,095	13,328	....	....	..	101,189	7,890,085
Sick and wounded	1,445,021	153,849	12,187	13,714	....	....	..	179,750	1,624,771
Encampment utensils	866,166	56,567	4,216	727	....	....	..	61,510	927,676
Sundry wares	3,963,587	783,977	90,789	59,085	1,373	....	..	935,224	4,898,811
Post and telegraph	553,304	61,853	16,664	10,175	54	....	..	88,746	642,050
Transportation	33,953,198	2,210,080	93,427	35,771	....	....	..	2,339,278	36,292,476
Traveling expenses	3,174,086	389,079	79,744	41,402	....	....	..	510,225	3,684,311
Employes	18,384,435	2,150,663	388,273	274,390	6,015	....	..	2,819,341	21,203,776
Construction	5,632,382	934,343	361,644	451,860	....	....	..	1,747,847	7,380,229
Sundry matters	2,058,508	258,281	50,406	37,693	....	....	..	346,380	2,404,888
Secret Service expenses	369,283	6,965	25,200	1,127,700	8,100	....	..	1,167,965	1,537,248
Purchase of warships	3,697,866	....	....	....	....	....	..	....	3,697,866
Civil Administration Office of Expenses	200,244	....	....	....	....	....	..	....	200,244
Submarine cables between Osumi and Formosa	1,247,769	1,527,977	450,737	104	....	....	..	1,978,818	3,226,587
Construction of guide-lights for navigation to Formosa	128,983	341,427	....	....	....	....	..	341,427	470,410
Special Grand Festival of Yasukuni Shrine	10,000	....	....	....	....	....	..	....	10,000
Formosan Government-General	2,420,045	217,790	71,367	104,405	....	....	..	393,562	2,813,607
Gratuities	6,226,491	5,969,791	3,310,951	416,084	....	....	..	9,696,826	15,923,317
War medals	61,377	82,052	2,582	4,403	6,594	4,795	66	100,493	161,870
Hiroshima Military Water Works	10,820	215,028	345,821	68,176	....	....	..	629,025	639,845
Formosan trunk-railway and harbor-works investigations	7,925	82,074	8,846	1,153	....	....	..	92,073	99,998
Total	164,520,372	20,415,279	5,915,563	3,025,960	22,136	4,795	66	29,383,799	193,904,171

TABLE 6(A).—MILITARY EXPENSES OF THE SINO-JAPANESE WAR, 1894-1895—*Continued*

Navy Department

Items	Special account	General account							Total of special and general accounts
		1896	1897	1898	1899	1900	1901	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries and allowances	1,694,865	5,097	....	....	....	....	....	5,097	1,699,962
Provisions	1,170,301	170	....	....	....	....	....	170	1,170,471
Clothing	461,237	14,775	....	....	....	....	....	14,775	476,012
Maintenance of warship requisites	4,176,712	145,623	....	....	....	....	....	145,623	4,322,335
War requisites special supply	233,995	....	....	....	....	....	....	....	233,995
Arms, ammunition and torpedoes	10,079,751	325,268	20,559	....	....	....	....	345,827	10,425,578
Warships	12,825,830	738,060	419,369	308,616	117,534	251,400	....	1,834,979	14,660,809
Medical treatment	46,152	....	....	....	....	....	....	....	46,152
Prisoners	138	....	....	....	....	....	....	....	138
Transportation	1,282,913	13,653	185	....	....	....	....	13,838	1,296,751
Traveling expenses	256,049	704	289	....	....	....	....	993	257,042
Office expenses	228,243	8,536	1,813	....	....	....	....	10,349	238,592
Sundry payments	310,882	9,551	1,008	....	....	....	....	10,559	321,441
Building and repairs	806,134	89,541	51,030	....	....	....	....	140,571	946,705
Arms works provisional building	1,260,749	....	....	....	....	....	....	....	1,260,749
Surveying sites for lighthouses	12,009	....	....	....	....	....	....	....	12,009
Sundry matters	21,275	13	....	....	....	....	....	13	21,288
Secret Service expenses	106,881	....	....	....	....	....	....	....	106,881
Gratuities	955,704	94,452	108,216	....	....	....	....	202,668	1,158,372
War medals	16,104	....	....	....	....	....	....	....	16,104
Compilation of war history	213	4,317	5,790	6,128	5,051	2,113	1,602	25,001	25,214
Total	35,955,137	1,449,760	608,259	314,744	122,585	253,513	1,602	2,750,463	38,705,600
Total, Army and Navy	200,475,509	21,865,039	6,523,822	3,340,704	144,721	258,308	1,668	32,134,262	232,609,771

TABLE 6(B).—DEPARTMENTAL EXPENSES OF THE SINO-JAPANESE WAR, 1894–1895

Department of Foreign Affairs

Items	1894	1895	Total
	Yen	*Yen*	*Yen*
Traveling expenses	18,982	6,927	25,909
Secret Service expenses	190,000	....	190,000
Dispatching of police officers to Korea	7,174	12,941	20,115
Sundry expenses	8,432	6,013	14,445
Withdrawal of legation and consulates from China	2,865	....	2,865
Building of additional jails for consulate at Seoul	1,200	....	1,200
Reconstruction of legation in Korea	11,125	23,472	34,597
Allowances to legation and consulate staff in Korea	3,240	2,016	5,256
Reception of Chinese peace envoy	1,462	3,454	4,916
Repairing auxiliary buildings to legation in Korea	....	1,550	1,550
Compensation of cablegram fee	....	5,311	5,311
Traveling expenses for Seoul disturbance	....	1,668	1,668
Total	244,480	63,352	307,832

Department of Home Affairs

Dispatching of police officers to Korea	87,774	21,884	109,658
Dispatching of police officers to Hiroshima headquarters	19,841	11,729	31,570
Telegraphic charges	4,475	6,086	10,561
Expenses chargeable to Hiroshima Prefecture	6,118	1,969	8,087
Expenses chargeable to Yamaguchi Prefecture	7,571	7,097	14,668
Traveling expenses for policemen assembled by Metropolitan Police Board	2,793	....	2,793
Expenses chargeable to Hokkaido Government	4,105	....	4,105
Expenses chargeable to Fukushima Prefecture	2,745	3,690	6,435
Dispatching of police officers to China	11,643	5,171	16,814
Secret Service expenses	....	28,133	28,133
Expenses chargeable to Kyoto Prefecture	....	3,512	3,512
Guarding of foreign ministers and official buildings	....	5,159	5,159
Total	147,065	94,430	241,495

TABLE 6(B).—DEPARTMENTAL EXPENSES OF THE SINO-JAPANESE WAR, 1894-1895—*Continued*

Department of Finance

Items	1894	1895	Total
	Yen	Yen	Yen
Headquarters dispatching expenses chargeable to Cabinet	14,022	4,793	18,815
Headquarters dispatching expenses chargeable to Finance Department	4,579	1,150	5,730
Prize Court expenses	852	1,378	2,230
Higher Prize Court expenses	350	242	592
Dispatching to the front of public auditors	2,422	1,241	3,663
Headquarters dispatching expenses chargeable to Privy Council	414	2,258	2,672
Making of war notes and requisition certificates	29,350	6,175	35,525
Expenses for dispatches to Korea chargeable to Cabinet	931	1,690	2,621
Expenses for dispatches to Korea chargeable to Finance Department	4,099	12,812	16,911
Expenses for dispatches to China and Korea chargeable to Finance Department	5,351	5,058	10,409
Expenses for dispatches to China chargeable to Cabinet	....	1,683	1,683
Total	62,370	38,480	100,850

Department of Communication

Construction of lighthouses	41,415	....	41,415
Laying of telegraph wires	94,913	....	94,913
Submarine cables between Yobiko and Gonoura	4,621	....	4,621
Total	140,949	....	140,949
Grand total	594,864	196,262	791,126

TABLE 6(C).—SUMMARY OF EXPENSES OF THE SINO-JAPANESE WAR, 1894–1895

Department	Amount
	Yen
Army Department	193,904,171
Navy Department	38,705,600
Department of Foreign Affairs	307,832
Department of Home Affairs	241,495
Department of Finance	100,850
Department of Communication	140,949
Total	233,400,897

TABLE 7(A).—MILITARY EXPENDITURES OF THE BOXER UPRISING, 1900

Army Department

Items	1900	1901	1902	1903	1904	1905	1906	1907	1908	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries and allowances	1,043,897	538,721	....	....	....	....	....	....	....	1,582,618
Arms	3,505,423	1,843,741	....	....	....	....	....	....	....	5,349,164
Clothing	1,810,929	1,144,609	....	....	....	....	....	....	....	2,955,538
Provisions	2,698,169	345,994	....	....	....	....	....	....	....	3,044,163
Horses	1,452,626	163,567	....	....	....	....	....	....	....	1,616,193
Sick and wounded	290,479	52,449	....	....	....	....	....	....	....	342,928
Encampment utensils	304,673	116,719	....	....	....	....	....	....	....	421,392
Sundry wares	244,902	148,855	....	....	....	....	....	....	....	393,757
Post and telegraph	87,776	44,107	....	....	....	....	....	....	....	131,883
Transportation	2,938,379	926,647	....	....	....	....	....	....	....	3,865,026
Traveling	189,815	127,586	....	....	....	....	....	....	....	317,401
Employes	585,231	282,963	....	....	....	....	....	....	....	868,194
Construction	547,351	667,699	....	....	....	....	....	....	....	1,215,050
Sundry matters	809,142	165,697	....	....	....	....	....	....	....	974,839
Secret Service	108,697	283,520	159,866	120,000	53,000	65,000	58,000	90,000	90,000	1,028,083
Mobilization	43,616	....	....	....	....	....	....	....	....	43,616
Maneuvers	27,201	8,438	....	....	....	....	....	....	....	35,639
Gratuities	91,787	168,636	81,821	12,791	340	50	65	15	357	355,862
Repairing land and buildings of the Army at Ujina	....	336,524	307,872	....	....	....	....	....	....	644,396
Yasukuni Shrine special festival	....	15,000	....	....	....	....	....	....	....	15,000
Expenses of personnel	....	....	523,300	344,196	273,407	251,581	290,503	330,645	429,665	2,443,387
Material	....	....	968,790	630,237	297,990	331,601	370,791	527,979	641,193	3,768,581
Purchase of land near Tang-Ku	....	89,088	....	....	....	....	....	....	....	89,088
Restoring officers' hall and boarding house at Peking destroyed by fire	....	....	8,000	39,856	....	....	....	....	....	47,856
Special contribution to the Yasukuni Shrine	....	....	....	....	1,172	....	....	....	....	1,172
Total	16,780,093	7,470,560	2,049,649	1,147,080	625,909	648,232	719,449	948,639	1,161,215	31,550,826

Navy Department

Salaries and allowances	589,882	269,023	....	....	....	....	....	....	....	858,905
Office expenses	33,621	15,102	....	....	....	....	....	....	....	48,723
Traveling	31,919	18,573	....	....	....	....	....	....	....	50,492
Sundry payments and expenses	6,314	36,646	....	....	....	....	....	....	....	42,960
Special allowances	72,464	18,441	....	....	....	....	....	....	....	90,905
Provisions	494,769	77,004	....	....	....	....	....	....	....	571,773
Clothing	270,929	45,406	....	....	....	....	....	....	....	316,335
Shipbuilding and repairs	53,245	4,012	....	....	....	....	....	....	....	57,257
Patients	11,300	5,309	....	....	....	....	....	....	....	16,609
Naval stations and ports	16,158	12,981	....	....	....	....	....	....	....	29,139
Maintenance of warships	3,417,390	344,332	....	....	....	....	....	....	....	3,761,722
Hydrographical expenses	1,836	....	....	....	....	....	....	....	....	1,836
Building and repairs	297,688	22,741	....	....	....	....	....	....	....	320,429
Ships	256,091	86,551	....	....	....	....	....	....	....	342,642
Secret Service expenses	29,067	20,000	....	....	....	....	....	....	....	40,067
Sundry matters	780	35,174	....	....	....	....	....	....	....	35,954
Gratuities	6,458	5,977	825	....	....	....	....	....	....	13,260
Arms, ammunition and torpedoes	....	3,672	....	....	....	....	....	....	....	3,672
War medals	....	....	2,355	....	....	....	....	....	....	2,355
Aids	....	....	240	....	20	....	....	....	....	260
Total	5,589,911	1,020,944	3,420	....	20	....	....	....	....	6,614,295
Total, Army and Navy Departments	22,370,004	8,491,504	2,053,069	1,147,080	625,929	648,232	719,449	948,639	1,161,215	38,165,121

TABLE 7(B).—DEPARTMENTAL EXPENDITURES OF THE BOXER UPRISING, 1900

Department of Foreign Affairs

Items	1900	1901	1902	1903	1904	1905	1906	1907	1908	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Traveling	3,942	300	8,544	1,749	....	....	....	....	....	14,535
Sundry	8,416	3,670	5,397	117	....	....	....	....	....	17,600
Secret Service	117,460	274,986	205,000	80,000	....	....	....	....	....	677,446
Expenses delivered freely	5,067	3,220	2,200	965	....	....	....	....	....	11,452
Dispatching of police officers	14,290	16,889	19,900	13,890	16,164	14,779	....	....	....	95,912
Chartered ships	3,800	....	....	....	....	....	....	....	....	3,800
Telegraph charges	....	254,345	....	....	....	....	....	....	....	254,345
Special supplementing of buildings	24,782	14,146	6,238	....	....	....	....	....	....	45,166
Total	177,757	567,556	247,279	96,712	16,164	14,779	....	....	....	1,120,256

Department of Home Affairs

Relief of sufferers	399	....	....	....	....	....	....	....	....	399
Newspapers and periodicals	4,909	....	....	....	....	....	....	....	....	4,909
Special prefectural expenses	6,218	3,642	....	....	....	....	....	....	....	9,860
Total	11,526	3,642	....	....	....	....	....	....	....	15,168

Department of Finance

Employes Pay	....	4,479	....	....	....	....	....	....	....	4,479
Making of decorations	....	72,239	....	....	....	....	....	....	....	72,239
Making of decoration diplomas	....	8,664	....	....	....	....	....	....	....	8,664
Stationery	....	645	....	....	....	....	....	....	....	645
Communication and transportation	....	19,235	....	....	....	....	....	....	....	19,235
Making of public loan bonds	....	12,274	....	....	....	....	....	....	....	12,274
Sundry expenses	....	470	....	....	....	....	....	....	....	470
Aids	....	659	....	....	....	....	....	....	....	659
Gratuities	170,855	3,149,963	93,085	5,472	120	....	....	....	40	3,419,535
Interest on temporary loans	....	375,781	....	....	....	....	....	....	....	375,781
Expenditures in granting rewards	....	....	3,398	....	....	....	....	....	....	3,398
Making of war medals	....	....	30,943	....	....	....	....	....	....	30,943
Indemnity expenses	....	....	354	15,966	4,385	9,510	504	374	379	31,472
Expenses in granting war medals	....	....	....	2,500	....	....	....	....	....	2,500
Making of prize cups	....	....	....	17,648	....	....	....	....	....	17,648
Total	170,855	3,644,409	127,780	41,586	4,505	9,510	504	374	419	3,999,942

Department of Communication

Special communication expenses	84,949	121,601	95,207	....	....	....	....	....	....	301,757
Total departmental expenses	445,087	4,337,208	470,266	138,307	20,669	24,289	504	374	419	5,437,123
Total military and departmental expenses	22,815,091	12,828,712	2,523,335	1,285,387	646,598	672,521	719,953	949,013	1,161,634	43,602,244

TABLE 8.—ARMAMENT EXPENDITURES FOR THE ARMY, 1894–1903 [a]

Ordinary and Extraordinary Expenditures

	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	Total
Ordinary:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Army Department proper	114,976	127,270	202,095	221,209	230,592	246,162	231,754	236,426	237,431	222,576	2,070,491
Expenditures for military affairs [b]	7,045,417	7,632,605	20,132,106	25,764,938	29,447,553	32,955,454	34,144,196	35,886,445	37,763,916	38,218,170	268,990,800
Gendarmes	209,013	190,002	1,742,394	2,179,260	2,263,270	1,879,298	1,400,000	1,051,831	1,007,883	824,262	12,747,213
Contributions to Yasukuni Shrine	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	75,500
Decoration annuities [c]	126,237	121,357	983,086	971,317	956,555	951,220	940,928	946,772	954,341	941,339	7,893,202
Pensions	639,164	313,274	555,644	594,424	636,378	723,481	878,323	1,047,869	1,282,108	1,507,381	8,178,046
Allowances to surviving families	....	244,297	560,435	730,230	656,309	656,619	681,895	718,240	770,617	830,660	5,819,302
Gratuities	....	132,838	309,521	137,645	65,814	70,542	67,296	110,867	92,065	97,251	1,083,839
Hokkaido Colonial Troops	451,117	452,786	529,445	573,306	613,106	488,845	340,391	251,659	152,889	82,831	3,936,375
Total	8,593,474	9,221,979	25,022,276	31,179,879	34,877,127	37,979,171	38,692,333	40,257,659	42,268,800	42,732,070	310,824,768
Extraordinary:											
Construction of batteries	1,371,803	931,274	1,881,564	3,648,084	3,545,439	4,028,601	6,359,127	5,186,335	2,179,471	3,560,885	32,612,583
Building and repairs	625,718	459,343	385,898	530,326	768,284	503,837	621,829	75,233	275,338	420,131	4,665,937
Surveying	....	123,323	172,482	191,774	220,155	201,908	223,736	228,137	239,552	251,318	1,852,385
Various repairs and initial furnishing of arms and other implements for campaign use [d]	....	....	5,739,279	12,810,560	7,404,500	6,928,578	9,309,375	4,482,973	2,756,394	1,697,811	51,129,470
Manufacture of arms	422,971	8,448	1,612,240	2,639,205	2,492,243	3,541,755	4,216,944	2,706,436	1,810,659	....	19,450,901
Provident fund for natural calamities	....	36,575	....	93,343	181,523	1,078,316	293,500	197,703	330,659	129,719	2,311,338
Quelling of Formosan bandits	....	....	....	676,905	481,815	74,644	122,921	49,435	126,955	19,862	1,552,537
Prevention of epidemics	....	....	....	9,920	59,193	5,361	....	5,344	....	....	79,818
Postbellum adjustments	....	....	....	....	....	56,548	35,766	19,556	9,836	43,845	165,551
Compilation of war history	....	....	....	....	....	50,540	50,695	42,593	31,181	....	175,009
Gratuities	10	....	....	....	....	125,197	82,486	123,689	37,108	28,070	396,560
Reception of foreigners in Special Grand Maneuvers	....	....	....	....	....	....	....	....	19,242	15,423	34,665
Extension of arsenals	....	....	359,246	2,058,291	527,358	....	337,184	6,994	....	....	3,289,073
Temporary office of construction	....	....	112,946	117,428	112,624	120,192	59,594	46,823	44,301	10,957	624,865
Expenses for specially organised corp (transport and communication corps)	....	....	....	1,276,721	1,096,570	227,577	216,264	219,056	216,001	195,021	3,447,210

Extraordinary—*Continued:*											
Special expenses, Hokkaido Colonial Troops	....	....	....	59,788	53,526	5,771	....	....	....	....	119,085
Special expenses for traveling abroad	....	....	....	....	....	....	....	....	....	575	575
Dispatching and increasing of gendarmes	9,596	84	....	....	....	....	....	....	....	....	9,680
New construction of gunpowder factory	150,773	46,677	....	....	....	....	....	....	....	....	197,450
Miscellaneous[a]	....	....	....	1,373,817	1,366,390	2,927	....	86,930	129,757	8,476	2,968,297
Total	2,580,871	1,605,724	10,213,655	25,486,162	18,309,620	16,951,752	21,929,421	13,477,237	8,206,454	6,382,093	125,142,989
Grand total	11,174,345	10,827,703	35,235,931	56,666,041	53,186,747	54,930,923	60,621,754	53,734,896	50,475,254	49,114,163	435,967,757

Details of Expenditures for Military Affairs[f]

Salaries	2,165,229	2,268,978	5,181,390	6,394,092	7,203,187	8,613,908	9,202,887	9,692,486	10,251,286	9,968,236	70,941,679
Office expenses	328,689	206,619	471,294	615,675	696,096	761,447	737,259	730,361	698,936	675,135	5,921,511
Repairs	186,113	191,849	318,985	418,077	447,918	803,480	765,719	736,548	599,891	572,872	5,041,452
Allowances for casualties	....	118	2,138	2,204	2,811	4,826	2,809	3,032	3,254	1,862	23,984
Compensations and legal expenses	....	....	176	180	588	932	1,694	1,870	1,480	6,369	13,289
Traveling expenses	146,439	168,964	691,567	864,552	894,152	1,128,832	1,113,885	1,111,085	1,124,189	1,060,783	8,304,498
Sundry payments and expenses	265,788	236,333	723,938	904,607	928,997	1,061,055	1,154,497	1,137,443	1,107,167	936,547	8,456,372
Special allowances	....	272,960	580,541	716,725	869,653	500,825	521,408	548,749	585,244	564,944	5,161,049
Officers resident abroad	....	....	50,450	56,170	64,601	71,821	89,503	108,793	118,550	105,823	665,711
Provisions and forage	982,896	1,112,178	4,635,055	6,440,142	7,584,595	7,193,774	7,646,576	7,948,712	8,279,036	8,239,481	60,062,445
Clothing	1,222,793	1,362,613	3,103,877	3,406,471	3,640,552	4,036,698	3,897,720	4,101,213	4,292,146	4,425,462	33,489,545
Arms and ammunition	884,971	853,999	1,867,054	2,129,086	2,381,368	2,974,414	3,112,229	3,485,616	3,570,649	3,606,291	24,865,707
Horses	497,010	514,434	1,330,449	1,992,633	2,653,811	3,047,244	3,247,414	3,385,377	4,101,806	4,770,692	25,540,870
Maneuvers	199,053	137,012	392,094	835,869	959,966	822,154	788,264	1,019,035	1,085,964	1,223,588	7,462,999
Patients	18,207	49,885	249,929	312,347	354,027	372,659	361,028	393,704	391,837	384,423	2,891,046
Soldiers' supplies	....	155,973	382,827	525,613	621,365	757,155	819,244	857,374	867,111	861,204	5,847,866
Retiring allowances	70	70	70	70	70	70	70	70	70	70	700
Prisoners	25,436	24,200	26,873	38,567	39,590	38,569	39,740	39,180	41,148	42,622	355,925
Military maps	....	10,138	32,899	11,423	12,575	8,294	9,578	5,947	5,128	6,360	102,342
Imperial Suite expenses	919	401	200	6,835	1,201	297	550	971	2,088	5,148	18,610
Transportation	....	....	....	....	....	632,850	504,322	456,749	515,736	549,058	2,658,715
Secret Service expenses	32,000	32,000	90,300	93,600	90,400	124,150	124,800	121,200	131,200	121,200	960,850
Surveying	89,754	9,691	....	....	....	....	....	....	....	....	99,445
Expenses of students abroad	....	24,190	....	....	....	....	....	....	....	....	24,190
Total	7,045,417	7,632,605	20,132,106	25,764,938	29,447,553	32,955,454	34,144,196	35,886,445	37,773,916	38,128,170	268,910,800

[a] The figures are according to the Settled Accounts. [b] For details, see p. 283. [c] Refer to both Army and Navy. [d] Include those of Formosan Gendarmerie.
[e] Relief expenses for sufferers in Fifth Regiment Infantry in 1903, special contributions to the Yasukuni Shrine (52,000 *yen*) and relief expenses for sufferers in Fifth Regiment Infantry in 1902, relief expenses for sufferers in Fifth Regiment Infantry in 1901, inspection tours in Philippines and supplementing working capital in factories in 1900, supplementing fixed working capital in factories and special contributions to the Yasukuni Shrine in 1898, and supplementing fixed working capital in factories, supplementing fire destroyed properties, and Ashio Mine Copper Poisoning Affairs in 1897.
[f] Ordinary Expenditures: Expenditures for military affairs under control of Army Department; sectional particulars.

TABLE 9.—ARMAMENT EXPENDITURES FOR THE NAVY, 1894–1903 [a]

Ordinary and Extraordinary Expenditures

Items	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	Total
Ordinary:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Navy Department proper	75,320	78,408	104,579	149,713	155,418	191,161	172,005	167,187	158,352	147,427	1,399,570
Expenditures for military affairs [b]	4,498,286	4,834,836	7,246,751	9,394,176	11,036,057	14,385,953	16,738,995	19,317,766	20,904,993	21,382,810	129,740,623
Pensions	194,200	138,066	235,128	258,734	278,016	328,992	355,209	381,326	424,294	474,491	3,068,456
Allowances to surviving families	....	31,861	38,725	43,824	48,084	52,817	55,945	61,804	67,862	77,451	478,373
Gratuities	....	8,283	7,346	9,026	5,873	9,605	12,323	7,388	15,592	12,520	87,956
Total	4,767,806	5,091,454	7,632,529	9,855,473	11,523,448	14,968,528	17,334,477	19,935,471	21,571,093	22,094,699	134,774,978
Extraordinary:											
Construction of warships	4,899,901	7,662,328	6,186,859	5,832,299	799,832	....	....	....	....	2,644,765	28,025,984
Civil engineering works	549,683	604,820	487,235	730,493	383,892	317,980	461,803	455,225	213,103	....	4,204,234
Building and repairs	95,752	103,595	53,505	168,440	92,636	91,532	106,481	72,824	76,333	97,685	958,783
Shipbuilding and repairing on commission	82,980	32,122	22,126	13,878	21,580	21,231	28,556	14,081	32,256	40,767	309,577
Shipbuilding expenses	....	175,596	16,432	15,848	....	....	....	....	....	....	207,876
Special building expenses	....	....	....	27,771	46,486	57,784	69,056	52,065	28,534	23,565	305,261
Provident fund for natural calamities	....	....	....	15,092	....	4,698	18,041	15,681	23,879	24,171	101,562
Refloating and repairing of warships	....	....	....	176,971	162,667	446,361	574,161	738,751	318,614	46,713	2,464,238
Gratuities	....	....	....	....	34,327	1,431	205	1,101	30	....	37,094
Grand maneuvers	....	....	....	....	....	34,214	138,518	....	....	9,000	181,732
Preparing of books for sale	....	....	....	....	....	....	5,991	5,600	5,988	5,987	23,566
Extension of arsenals	....	....	....	....	....	....	72,397	657,467	1,351,652	1,906,860	3,988,376
Dispatching of warships	27,480	....	....	53,692	....	....	....	....	393,535	....	474,707
Dispatching workmen abroad	....	17,612	12,001	27,565	16,111	44,745	29,425	33,313	....	....	180,772
Hydrographic survey	....	....	26,585	32,929	35,615	37,183	26,606	56,241	25,227	21,860	262,246
Naval expansion expenses	....	....	4,043,288	32,487,404	44,554,683	45,369,046	33,238,685	21,147,756	12,568,445	9,553,430	202,962,737
Shipbuilding materials fund at naval stations	....	....	345,534	345,000	345,000	160,000	130,000	100,000	30,000	....	1,455,534
Organization expenses of Shimose gunpowder works	....	....	....	39,326	49,363	132,647	3,163	....	....	....	224,499
Dock improvements at naval stations	....	....	....	136,771	89,392	230,567	394,334	58,339	....	....	909,403
Special expenses	23,668	....	....	....	....	....	....	....	....	....	23,668
Naval ordnance materials fund	86	6,555	....	....	....	....	....	....	191,828	191,828	390,297
Miscellaneous [c]	....	4,397	11,103	138,904	392,098	12,491	223,040	112,985	....	....	895,018
Total	5,679,550	8,607,025	11,204,668	40,242,383	47,023,682	46,961,910	35,520,462	23,521,429	15,259,424	14,566,631	248,587,164
Grand total	10,447,356	13,698,479	18,837,197	50,097,856	58,547,130	61,930,438	52,854,939	43,456,900	36,830,517	36,661,330	383,362,142

[a] The figures are according to the Settled Accounts, but certain items have been amalgamated.

[b] For details, see table on p. 285.

[c] Improvement works for Naval Engineering College in 1901; compilation of war history (3,094 yen), adjustment of water supply at naval ports (74,734 yen), and special expenses for traveling abroad (2,848 yen) in 1900; improvement works for Naval Engineering College in 1899; Spanish-American Affairs (368,743 yen) and marine mirrors furnishing expenses (23,355 yen) in 1898; marine mirrors furnishing expenses (101,818 yen), Greco-Turkish Affairs Inspection Tours (2,811 yen), and gunpowder experiments (34,275 yen) in 1897; and gunpowder experiments in 1895.

TABLE 9.—ARMAMENT EXPENDITURES FOR THE NAVY, 1894–1903—*Continued*

Details of Expenditures for Military Affairs [a]

Items	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries and allowances	1,916,981	2,071,362	2,328,736	2,665,984	3,189,555	3,877,770	4,149,290	4,884,077	5,655,430	5,493,596	36,232,781
Office expenses	145,942	118,413	167,414	221,293	245,285	289,493	290,281	301,370	310,490	306,070	2,396,051
Building and repairs	48,153	44,019	58,588	65,934	66,921	99,170	107,916	112,656	130,142	131,890	865,389
Traveling expenses	59,655	66,566	163,779	200,070	253,809	275,309	341,110	388,060	401,886	371,800	2,522,044
Sundry payments and expenses	154,891	114,553	133,880	169,247	188,376	224,140	235,150	258,023	296,426	289,749	2,064,435
Special allowances	....	24,768	46,994	77,239	98,943	143,502	164,629	203,153	213,417	198,124	1,170,769
Clothing	216,505	213,218	255,034	551,740	537,470	736,597	864,676	1,079,173	1,068,603	1,078,860	6,601,876
Provisions	381,392	447,080	761,325	1,176,570	1,563,127	1,747,285	1,973,636	2,185,776	2,474,917	2,537,653	15,248,761
Shipbuilding and repairs	464,487	438,883	754,493	951,715	1,173,341	1,492,251	1,871,324	2,628,805	2,790,688	2,683,211	15,249,198
Naval ordnance and repairs	....	....	....	....	....	....	....	3,391,410	3,490,329	3,850,999	10,732,738
Maneuvers	2,306	4,434	15,873	35,229	26,728	34,823	32,909	48,041	98,124	349,950	648,417
Patients (medical treatment in 1886 and 1887)	11,602	15,487	21,554	34,947	48,688	87,937	85,427	96,626	126,440	128,529	657,237
Naval ports and secondary naval ports	....	51,683	92,085	99,732	132,387	168,118	182,758	170,066	202,861	202,280	1,301,970
Supplies for warship maintenance	236,860	231,174	624,802	979,433	1,210,037	2,295,137	2,617,133	3,111,582	3,164,089	3,279,516	17,749,763
Coal	....	....	....	....	....	....	....	....	....	....	....
Arms, ammunition and torpedoes	717,748	733,994	1,592,000	1,897,132	2,009,011	2,467,644	3,366,847	....	....	....	12,784,376
Aid money	84,207	92,268	97,419	110,076	120,495	144,318	165,776	189,150	203,613	214,049	1,421,371
Prisoners	411	6,150	7,158	9,556	13,767	3,784	3,489	4,209	5,698	4,893	59,115
Hydrographic expenses	42,270	40,434	58,014	52,747	51,636	98,780	90,896	98,802	115,307	118,014	766,900
Foreign employes	....	4,457	5,400	10,934	13,200	18,240	18,100	19,716	10,920	11,280	112,247
Secret Service expenses	8,570	9,690	22,350	30,000	30,000	38,000	38,000	38,000	38,000	38,000	290,610
Expenses for signal stations	....	10,851	12,340	15,869	17,535	25,770	30,672	....	....	....	113,037
Ground and house rent	....	299	298	250	249	60	....	....	....	....	1,156
Students	....	....	....	....	....	....	....	....	....	....	....
Allowances for casualties	....	209	3,147	2,535	1,977	1,577	2,160	1,996	2,302	1,992	17,895
Compensations and legal expenses	6,306	72,971	21	91	292	23,101	6,476	83	40	335	109,716
Officers resident abroad	....	21,883	24,047	35,853	43,228	93,147	100,340	106,992	105,271	92,020	622,781
Total	4,498,286	4,834,846	7,246,751	9,394,176	11,036,057	14,385,953	16,738,995	19,317,766	20,904,993	21,382,810	129,740,633

[a] Ordinary Expenditures: Expenditures for military affairs under control of Navy Department; sectional particulars.

TABLE 10(A).—MILITARY EXPENDITURES OF THE RUSSO-JAPANESE WAR, 1904–1905

Army Department

Items	Special account	General account							Total of special and general accounts
		1907	1908	1909	1910	1911	Budget, 1912 estimate	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Expenses of personnel[a]	147,273,526	1,255,203	691,321	281,852	280,561	233,628	237,317	2,979,882	150,253,408
Expenses of *matériel*[a]	972,312,401	25,277,004	21,779,224	14,668,457	9,683,424	2,582,215	42,567,903	116,558,227	1,088,870,628
Secret Service expenses	3,224,435	112,034	85,989	....	....	....	192,532	390,555	3,614,990
Mobilization expenses	3,167,500	95	....	....	....	....	....	95	3,167,595
Gratuities	156,292,465	3,082,835	699,988	68,665	18,716	5,468	....	3,875,672	160,168,137
Losses	113,371	....	....	....	....	....	....	....	113,371
Hiroshima city cleaning expenses	40,975	....	....	....	....	....	....	....	40,975
Yedogawa bridge construction	21,700	....	....	....	....	....	....	....	21,700
Contribution to Yasukuni Shrine Grand Festival	265,000	....	....	....	....	....	....	....	265,000
War medals	606,683	78,057	13,090	11,001	8,260	8,936	75,533	194,877	801,560
Total	1,283,318,056	29,805,228	23,269,612	15,029,975	9,990,961	2,830,247	43,073,285	123,999,308	1,407,317,364

Navy Department

Salaries and allowances	15,342,209	2,858	134	....	....	....	....	2,992	15,345,201
Office expenses	693,288	26,824	12,357	1,276	941	....	....	41,398	734,686
Traveling expenses	1,213,072	1,433	726	311	562	....	....	3,032	1,216,104
Sundry payments and expenses	472,626	4,078	2,169	1,708	1,523	....	....	9,478	482,104
Special allowances	491,172	....	....	....	....	....	....	....	491,172
Provisions	7,905,450	....	....	....	....	....	....	....	7,905,450

Clothing	5,469,788	....	....	....	....	....	....	....	5,469,788
Naval ordnance and repairs	22,418,883	1,750,359	103,093	17,822	....	....	....	1,871,274	24,290,157
Shipbuilding and repairs	26,079,874	707,722	201,402	128,731	7,139	....	....	1,044,994	27,124,868
Patients	333,222	4,115	....	....	....	....	....	4,115	337,337
Naval ports and secondary naval ports	1,450,108	725	....	....	....	....	....	725	1,450,833
Maintenance of warships	39,540,645	577,663	101,414	....	....	....	....	679,077	40,219,722
Hydrographic expenses	73,343	....	....	....	....	....	....	....	73,343
Building and repairs	5,108,206	719,343	1,079	1,012	....	....	....	721,434	5,829,640
Ships	20,329,626	....	....	....	....	....	....	....	20,329,626
Secret Service expenses	824,928	....	....	....	....	....	....	....	824,928
Sundry matters	4,840,173	172,050	3,746	7,536	26,319	....	....	209,651	5,049,824
Purchase of warships	15,984,593	....	....	....	....	....	....	....	15,984,593
Organization expenses of briquette factory	1,048,002	....	....	....	....	....	....	....	1,048,002
Gratuities	8,307,636	383,884	30,286	8,612	2,733	....	....	425,515	8,733,151
Losses	402,958	....	....	....	....	....	....	....	402,958
City cleaning expenses	55,997	....	....	....	....	....	....	....	55,997
Warships and torpedo-boats replenishing expenses	46,698,890	1,155,032	524,636	85,769	....	....	....	1,765,437	48,464,327
Triumphal celebration expenses	29,193	....	....	....	....	....	....	....	29,193
Compilation of History of Naval Hygiene in Russo-Japanese War	193	1,231	1,437	1,059	8,956	....	....	12,683	12,876
War medals	40,408	265	1,096	599	1,582	....	....	3,542	43,950
Total	225,154,483	5,507,582	983,575	254,435	49,755	....	....	6,795,347	231,949,830
Total, Army and Navy expenditures	1,508,472,539	35,312,810	24,253,187	15,284,410	10,040,716	2,830,247	43,073,285	130,794,655	1,639,267,194

* See p. 288 for details.

TABLE 10(B).—DETAILS OF MILITARY EXPENDITURES OF THE RUSSO-JAPANESE WAR, 1904–1905

Personnel and Matériel

Items	Special account	General account of extraordinary war expenditures, settled accounts of the army						Total of special and general accounts
		1907[a]	1908	1909	1910	1911	Total	
Personnel:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries and allowances	77,786,321	114,663	49,300	44,924	50,425	47,130	306,442	78,092,763
Employes	56,202,143	860,067	473,989	150,427	146,746	118,692	1,749,921	57,952,064
Traveling expenses	13,269,199	280,023	168,032	86,501	83,390	67,806	685,752	13,954,951
Sundry matters	15,863	....	....	....	....	....	....	15,863
Total	147,273,526	1,255,203	691,321	281,852	280,561	233,628	2,742,565	150,016,091
Matériel:								
Horses	23,445,813	14,535	291	376	137	220	15,559	23,461,372
Arms	154,310,774	6,277,028	9,382,968	10,566,858	6,357,796	1,094,764	33,679,414	187,990,188
Clothing	174,919,591	6,188,962	2,841,020	10	48	11	9,030,051	183,949,642
Provisons and forage	261,795,340	356,667	29,481	1,300	1,175	1,206	389,829	262,185,169
Supplies	40,475,186	1,121,894	701,656	238,290	467,093	36,464	2,565,397	43,040,583
Construction	46,504,063	10,292,046	8,372,179	3,760,050	2,764,436	1,335,560	26,524,271	73,028,334
Post and telegraph	1,575,202	7,997	1,868	554	184	387	10,990	1,586,192
Transportation	249,163,401	653,136	428,385	80,691	80,007	112,073	1,354,297	250,517,698
Maneuvers	1,799,759	1,723	....	....	....	....	1,723	1,801,482
Sick and wounded	8,737,169	332,057	32	667	99	....	332,855	9,070,024
Miscellaneous	9,586,103	30,636	21,344	19,661	12,449	1,525	85,615	9,671,718
Total	972,312,401	25,277,004	21,779,224	14,668,457	9,683,424	2,582,215	73,990,324	1,046,302,725

[a] In the fiscal year 1907, 449 *yen* and 323 *yen* are found in excess in the totals, respectively, of expenses of personnel and expenses of *matériel*, as compared with the respective totals of the different items concerned, which is explained by the fact that in the latter totals are not included the sums of money plundered by mounted bandits.

TABLE 10(C).—DEPARTMENTAL EXPENDITURES OF THE RUSSO-JAPANESE WAR, 1904–1905[a]

Department of Foreign Affairs

Items	1903	1904	1905	1906	1907	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries and allowances	....	....	....	46,917	....	46,917
Temporary allowances	....	34,021	15,769	....	....	49,790
Allowances to special employes	....	9,858	11,320	2,755	....	23,933
Expenses delivered freely	....	10,682	3,504	....	....	14,186
Dispatching of police officers	9,639	77,878	74,484	....	....	162,001
Ground and house rent	....	5,568	....	11,653	....	17,221
Telegraph	....	1,299,994	1,070,916	....	....	2,370,910
Secret Service	1,089,995	837,722	1,160,965	199,969	....	3,288,651
Special supplementing of buildings	....	15,673	75,863	14,693	....	106,229
Building of temporary offices	2,280	....	....	....	....	2,280
Withdrawal of Japanese residents abroad	97,412[b]	234,483	19,661	1,008	....	352,564
Relief of Japanese residents abroad	....	1,805	....	....	....	1,805
Control of Japanese residents abroad	....	....	....	67,084	....	67,084
Control of bills of exchange	....	1,351	....	....	....	1,351
Control of fraudulent bills	....	....	325	....	....	325
Hospital funds in Korea	....	91,949	....	....	....	91,949
Office expenses	....	....	....	5,730	....	5,730
Banquets	....	....	....	5,000	....	5,000
Establishment of consulates	....	....	....	97,748	....	97,748
Expenses for prisoners and legal actions	....	....	....	2,573	....	2,573
Kwang-Tung Government-General and subordinate offices	....	....	....	1,608,714	360,903	1,969,617
Traveling	22,908	8,055	51,537	19,230	....	101,730
Sundry	7,312	13,604	17,950	11,214	....	50,080
Total	1,229,546	2,642,643	2,502,294	2,094,288	360,903	8,829,674

[a] In addition to the Departments here listed, the Department of Education spent for special meteorological survey: 9,290 *yen* in 1903; 77,281 *yen* in 1904; 112,482 *yen* in 1905; 60,150 *yen* in 1906; and none in 1907—making a total of 259,203 *yen* in all. No expenditures are listed for the Department of Justice. See the Summary Table, *post*, p. 295.

[b] In Russia and China.

TABLE 10(c).—DEPARTMENTAL EXPENDITURES OF THE RUSSO-JAPANESE WAR, 1904–1905—*Continued*

Department of Finance

Items	1903	1904	1905	1906	1907	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Making of Treasury bills	....	3,042	7,342	5,099	....	15,483
Special Cabinet expenses	....	....	5,818	6,883	....	12,701
Secret Service	....	150,000	200,000	100,000[g]	....	450,000
Expenses for war prisoners' money exchanges	....	....	956	107	....	1,063
Repairs to warehouse and other buildings of Finance Department	....	....	2,450	3,401	....	5,851
Additional building for Board of Audit	....	....	893	....	....	893
National Debts Consolidation Bureau	....	....	17,569	55,081	....	72,650
Additional building of factories of National Debt Consolidation Bureau	....	....	....	2,674	....	2,674
Building of fireplace for destroying withdrawn securities belonging to National Debt Consolidation Bureau	....	....	....	91	5,964	6,055
Fire hydrants for National Debt Consolidation Bureau	....	....	....	345	....	345
Residencies general	....	....	173,206[e]	1,634,958	132,441	1,940,605
Industrial Models Hall of Residency General	....	....	....	167,894	....	167,894
Secret Service expenses of Residency General	....	....	100,000	210,000	....	310,000
Loans to Korean Government	....	....	1,500,000	....	....	1,500,000
National Treasury communication expenses	....	....	....	66,403	....	66,403
Provisional buildings of Cabinet	....	....	....	1,638	....	1,638
Dispatching of officials abroad	....	8,642[d]	1,011[f]	14,601[h]	....	24,254
Educational expenses of Japanese residents in Korea	....	....	....	14,930	....	14,930
Expenses of financial commissioners abroad	....	....	....	14,358	....	14,358
Round Silver ingot casting	....	14,366	22,335	21,707	....	58,408
Transport of silver ingots	....	32,515	....	....	....	32,515
Revaluation of land in mineral pollution districts	....	8,172	....	....	....	8,172
Additional interest on Exchequer bonds	....	....	684,500	....	....	684,500
Total	256,966	19,196,740	96,571,293	11,631,690	1,148,161	128,804,850

Army Department

Expenses of personnel	....	....	....	8,235,797	126,201	8,361,998
Matériel	....	....	....	19,366,695	8,418,800	27,785,495
Secret Service	....	....	....	118,100	....	118,100
Total	....	....	....	27,720,592	8,545,001	36,265,593

Navy Department

Salaries and allowances	....	....	....	402,042	....	402,042
Building and repairs	....	....	....	1,690,842	395,854	2,086,696
Traveling	....	....	....	44,596	....	44,596
Special allowances	....	....	....	34,611	....	34,611
Provisions	....	....	....	246,025	....	246,025
Clothing	....	....	....	68,509	....	68,509
Naval Ordnance and repairs	....	....	....	3,481,853	703,951	4,185,804
Shipbuilding and repairs	....	....	....	5,009,397	1,072,515	6,081,912
Maneuvers	....	....	....	....	....	....
Patients	....	....	....	27,735	....	27,735
Naval ports and secondary naval ports	....	....	....	89,541	....	89,541
Maintenance of warships	....	....	....	355,727	....	355,727
Prisoners	....	....	....	825	....	825
Ships	....	....	....	71,966	....	71,966
Repletion of warships and torpedo boats	....	....	....	9,745,977	1,381,221	11,127,198
Compilation of Russo-Japanese war history	....	....	....	23,566	....	23,566
Allowances for casualties	....	....	....	35	....	35
Shipbuilding and repairing on commission	20,990	115,002	49,048	7,562	....	192,602
Total	20,990	115,002	49,048	21,300,809	3,553,541	25,039,390

[d] Finance Department officials to Korea. [e] In Korea and local residencies. [f] Cabinet officials to Korea. [g] For Cabinet. [h] To China, etc.

TABLE 10(c).—DEPARTMENTAL EXPENDITURES OF THE RUSSO-JAPANESE WAR, 1904-1905—*Continued*

Department of Agriculture and Commerce

Items	1903	1904	1905	1906	1907	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Supplementing of organization expenses of iron foundry	31,905	1,576,872	2,307,271	724,378	....	4,640,426
Inspection of imported animals	....	16,100[a]	18,209	8,997	....	43,306
Encouragement of castration	....	71,208	55,055	....	....	126,263
Agriculture and forestry investigation	....	9,663	....	....	....	9,663
Making of firewood for war use	....	45,088	....	....	....	45,088
Mining business	....	....	53,440	....	....	53,440
Industrial investigations	....	....	....	1,285	....	1,285
Total	31,905	1,718,931	2,433,975	734,660	....	4,919,471

Department of Communication

Rapid completion of Fuckuchiyama-Sonobe-Maidsurn Railway	....	1,336,929	....	....	....	1,336,929
Communication expenses	....	2,171,743	4,171,477	388,941	....	6,732,161
Subsidy for rapid completion of Seoul-Fusan Railway	....	1,750,000	450,000	....	....	1,750,000
Investigations into ways of communication	....	9,450	7,654	1,131	....	18,235
Loans to Seoul-Fusan Railway Co.	....	1,580,000	....	....	....	1,580,000
Manufacture of carriages	....	315,025	1,021,815	162,247	....	1,499,087
Post and telegraph in Korea	....	....	1,071,341	630,625	3,089	1,705,055
Marine affairs	....	....	2,128	....	....	2,128
Lighthouse expenses	....	....	11,399	....	....	11,399
Navigation subsidies	....	....	....	148,308	....	598,308
Granting of rewards	....	....	....	194,547	....	194,547
Total	....	7,163,147	6,735,814	1,525,799	3,089	15,427,849

[a] Building of inspection house.

TABLE 10(D).—SUMMARY OF DEPARTMENTAL EXPENDITURES OF THE RUSSO-JAPANESE WAR, 1904–1905

Department of Foreign Affairs	1,229,546	2,642,643	2,502,294	2,094,288	360,903	8,829,674
Department of Home Affairs	11,514	635,169	1,213,400	155,498	....	2,015,581
Department of Finance	256,966	19,196,740	96,591,293	11,631,690	1,148,161	128,824,850
Army Department	....	....	....	27,720,592	8,545,001	36,265,593
Navy Department	20,990	115,002	49,048	21,300,809	3,553,541	25,039,390
Department of Justice	....	....	....	....	....	....
Department of Education	9,290	77,281	112,482	60,150	....	259,203
Department of Agriculture and Commerce	31,905	1,718,931	2,433,975	734,660	....	4,919,471
Department of Communication	....	7,163,147	6,735,814	1,525,799	3,089	15,427,849
Total	1,560,211	31,548,913	109,638,306	65,223,486	13,610,695	221,581,611

TABLE 11(A).—ARMAMENT EXPENDITURES FOR THE ARMY, 1904–1913[a]

Ordinary and Extraordinary Expenditures

Items	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	Total
Ordinary:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Army Department proper	157,708	197,458	237,581	282,624	304,056	324,080	364,759	371,735	386,496	387,583	3,014,080
Expenditures for military affairs[b]	8,417,087	7,886,143	37,020,176	49,034,481	65,596,630	66,339,640	70,684,314	73,069,236	73,734,551	74,166,959	525,949,217
Gendarmes	478,551	444,642	559,589	591,582	1,756,894	1,731,668	1,836,974	1,806,920	1,879,400	1,884,180	12,970,400
Asylum for disabled soldiers	....	....	....	....	....	....	37,347	36,212	39,026	33,525	146,110
Contribution to Yasukuni Shrine	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	75,500
Horse Administration Bureau	....	....	547,898	954,440	1,058,166	1,198,566	1,700,000	1,795,568	1,892,462	1,919,164	11,066,264
Decoration annuities[c]	1,098,645	1,340,226	13,210,568	12,148,660	10,406,757	10,201,620	10,090,136	10,006,821	10,025,354	768,415	79,297,202
Pensions	1,103,656	1,084,694	6,114,527	7,160,775	7,317,445	7,536,761	7,891,221	8,285,453	8,086,463	9,388,601	63,969,596
Allowances to surviving families	1,089,019	4,548,300	5,326,218	5,281,065	5,226,781	5,199,774	5,131,001	5,093,136	5,330,985	5,071,294	47,297,573
Gratuities	548,045	2,837,401	3,985,641	539,161	176,652	100,704	87,320	94,057	135,606	105,580	8,610,167
Sundry disbursements	....	....	....	....	....	....	257,253	334,522	318,067	315,878	1,225,720
Hokkaido Colonial Troops	5,571	....	....	....	....	....	....	....	....	48,729	54,300
Total	12,905,832	18,346,414	67,009,748	76,000,338	91,850,931	92,640,363	98,087,875	100,901,210	101,835,960	94,097,458	753,676,129
Extraordinary:											
Construction of batteries	1,556,357	1,045,013	734,505	1,305,105	2,490,287	293,040	63,052	141,336	20,000	220,000	7,868,695
Building and repairs	202,005	80,606	90,953	957,682	1,397,674	554,189	648,385	1,158,496	1,535,000	560,000	7,184,990
Surveying	174,151	174,183	255,610	323,518	331,728	316,631	302,648	326,624	290,676	290,676	2,786,445
Various repairs and initial furnishing of arms, other implements, etc	306,457	431,119	445,360	16,451,114	37,397,099	11,008,972	5,933,771	7,932,171	679,883	....	80,585,946
Manufacture of arms	....	....	....	....	....	....	....	....	278,319	1,355,233	1,633,552
Provident fund for natural calamities	110,533	176,448	6,694	43,766	136,695	131,432	770,146	447,687	....	....	1,823,401
Quelling of Formosan bandits	3,672	....	15,550	14,356	29,972	21,419	29,991	27,827	30,000	30,000	202,787
Prevention of epidemics	....	....	....	22,044	4,704	....	43,299	8,914	....	....	79,861
Postbellum adjustments	12,541	15,335	33,554	4,089,339	2,889,793	4,086,212	3,086,360	8,457,623	205,329	....	22,876,086
Gratuities	29,913	2,441	45	26	80	5,509	30,190	2,410	3,909	2,920	77,443
Reception of foreigners in special grand maneuvers	....	....	....	23,697	26,484	26,449	19,424	19,588	20,077	20,077	155,796
Expenses for garrisons stationed abroad	....	....	....	11,376,682	190,688[d]	472,458	479,097	479,736	490,785	493,333[e]	13,982,779
	....	....	....	160,667	4,367,558[d]	3,555,734	3,402,548	4,390,009	4,442,813	4,469,484[f]	24,788,813
Utilization of grounds and buildings	....	....	....	....	....	81,095	96,422	103,775	113,000	100,000	494,292
Military balloons investigation	....	....	....	....	....	....	262,967	391,577	300,000	300,000	1,254,544
Wireless telegraphy investigation	....	....	....	....	....	....	....	53,335	70,000	70,000	193,335
Expenses connected with horse administration	....	....	45,735	266,575	225,777	255,126	138,304	188,140	136,607	147,093	1,403,357
Special expenses for investigation and prevention of horse plague, and replenishing infected horses	....	....	....	....	....	21,512	173,312	20,068	25,000	8,500	248,392
Preparing maps for sale	....	....	....	....	65,993	62,257	65,991	75,994	66,000	66,000	392,235

Extraordinary—*Continued*											
Expenses of Chinese affairs	....	....	....	....	....	....	....	447,564	1,060,060	567,714	2,075,338
Adjustments and equipments	....	....	....	....	....	....	....	....	7,952,794	11,056,661	19,009,455
Expenses for specially organized corps	31	....	....	....	....	....	....	....	....	....	31
Special expenses of traveling abroad	....	....	12,366	....	....	....	....	....	....	....	12,366
Dispatching of gendarmerie	....	....	....	....	....	....	888,492	....	....	....	888,492
Miscellaneous[g]	....	....	....	51,857	380,467	642,488	....	84,042	....	22,982	1,181,836
Total	2,395,660	1,925,145	1,640,372	35,087,328	49,934,999	21,534,523	16,434,399	24,746,916	17,720,252	19,780,673	191,200,267
Grand total	15,301,492	20,271,559	68,650,120	111,087,666	141,785,930	114,174,886	114,522,274	125,648,126	119,556,212	113,878,131	944,876,396

[a] The figures of 1904–1911 are according to the settled accounts, and those of 1912 and 1913 are according to the budget estimate, but certain items have been amalgamated.
[b] For details, see Table 11(b), *post*, p. 298. [c] Refer to both Army and Navy. [d] Manchuria and Korea. [e] China. [f] Korea.
[g] Miscellaneous means expenses in granting decorations and diplomas in 1913; rewards for quelling Formosan bandits in 1911; rewards for Korean affairs in 1909, and expenses for delegates at the International Army and Navy Celebration in 1907.

TABLE 11(B).—DETAILS OF EXPENDITURES FOR MILITARY AFFAIRS OF THE ARMY, 1904–1913 *

Items	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries and allowances	2,471,569	2,644,974	11,688,249	12,683,720	15,785,301	16,437,815	20,565,486	20,952,392	21,574,255	21,300,572
Office expenses	354,526	377,844	667,158	757,603	1,248,793	1,271,668	1,195,509	1,171,800	1,208,676	1,166,070
Repairs	603,678	556,527	760,523	758,770	1,225,715	1,402,965	1,414,052	1,391,680	1,388,789	1,411,292
Allowances for casualties	1,023	659	3,957	3,045	2,027	3,716	....	....	....	....
Compensations and legal expenses	1,637	691	1,732	688	2,597	2,752	....	....	....	....
Traveling expenses	263,716	222,575	699,169	1,408,570	2,135,485	2,043,113	2,141,938	2,222,749	2,327,118	2,346,720
Sundry payments and expenses	534,651	457,205	840,003	837,894	1,517,772	1,389,206	1,354,046	1,446,556	1,509,035	1,404,353
Special allowances	134,412	158,195	712,663	797,916	939,304	983,786	1,296,374	1,350,709	1,401,206	1,398,216
Officers resident abroad	104	28,131	88,520	113,516	104,217	113,249	113,856	115,679	118,568	118,568
Provisions and forage	1,371,882	1,215,354	8,516,979	15,316,847	20,038,235	19,607,529	20,068,280	22,758,041	22,720,839	22,819,731
Clothing	875,003	501,978	5,929,716	6,698,731	8,023,304	8,173,376	7,835,115	7,408,649	7,499,374	7,486,189
Arms and ammunition	248,278	587,391	3,810,734	4,421,900	6,530,675	5,941,580	6,343,488	6,163,916	5,948,375	6,451,164
Horses	1,044,509	644,394	926,048	1,458,303	1,799,672	1,936,209	1,823,600	1,861,612	1,839,800	1,836,869
Maneuvers	128,386	65,783	743,789	1,757,657	1,631,062	2,094,401	2,137,933	1,902,917	1,949,575	2,159,239
Patients	113,781	106,261	366,026	448,012	646,879	608,717	376,366	382,091	393,225	396,110
Soldiers' supplies	114,274	208,617	1,064,929	1,109,581	1,884,082	1,863,133	1,845,534	1,827,155	1,885,735	1,902,659
Expenses for one year's volunteers, and private students of Military Preparatory School	....	....	....	....	....	358,355	407,300	431,169	434,232	434,232
Invalid soldiers	....	....	1,679	8,834	20,406	24,114	....	....	....	....
Retiring allowances	70	70	70	70	70	70	....	....	....	....
Prisoners	51,207	43,966	30,647	47,364	56,836	59,379	54,885	54,513	57,033	56,259
Military maps	3,936	2,607	6,972	6,770	9,699	9,280	6,543	6,544	6,545	6,545
Imperial Suite expenses	557	4,652	1,560	3,781	4,080	2,347	3,856	7,891	2,670	2,670
Transportation	84,889	43,269	44,053	279,909	1,671,124	1,695,880	1,380,842	1,293,934	1,150,201	1,150,201
Secret Service expenses	15,000	15,000	115,000	115,000	319,300	317,000	319,300	319,239	319,300	319,300
Total	8,417,088	7,886,143	37,020,176	49,034,481	65,596,635	66,339,640	70,684,303	73,069,236	73,734,551	74,166,959

* Ordinary Expenditures: Expenditures for military affairs under control of the Army Department; sectional particulars.

TABLE 12.—ARMAMENT EXPENDITURES FOR THE NAVY, 1904–1913 [a]

Ordinary and Extraordinary Expenditures

Items	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	Total
Ordinary:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Navy Department proper	121,128	123,785	137,387	146,260	151,968	152,273	185,963	192,332	194,192	194,192	1,599,480
Expenditures for military affairs [b]	8,011,593	12,208,354	27,853,963	31,146,676	34,195,732	34,991,159	38,141,929	39,969,547	40,708,882	42,019,112	309,246,947
Pensions	437,809	456,634	917,700	1,377,114	1,448,143	1,595,633	1,748,810	1,933,485	1,843,914	2,604,705	14,363,947
Allowances to surviving families	137,600	254,368	281,472	293,944	310,142	319,632	327,724	336,153	337,053	365,501	2,963,589
Gratuities	95,841	42,394	19,269	21,638	31,897	18,631	20,748	22,674	17,187	21,488	311,767
Sundry disbursements	....	....	....	....	....	....	31,421	46,373	15,081	22,911	115,786
Total	8,803,971	13,085,535	29,209,791	32,985,632	36,137,882	37,077,328	40,456,595	42,500,564	43,116,309	45,227,909	328,601,516
Extraordinary:											
Warships construction for armament repletion, civil engineering works [c]	5,952,187	6,005,554	9,621,224	18,981,839	22,887,667	24,738,222	34,978,194	57,038,815	49,822,181	52,768,336	282,794,219
Building and repairs	66,260	33,813	205,163	68,337	387,636	479,632	555,660	545,794	393,128	215,000	2,950,423
Shipbuilding and repairing on commission	36,670	18,836	411,813	469,051	110,374	62,515	146,224	253,146	212,283	212,283	1,933,195
Shipbuilding	....	....	....	....	....	....	....	....	70,260	....	70,260
Temporary office of construction	13,055	13,556	14,234	12,279	13,258	14,974	16,916	46,598	49,856	49,856	244,582
Provident fund for natural calamities	17,679	261,236	23,101	399,236	16,905	26,397	29,998	167,960	....	....	942,512
Refloating and repairing of warships	....	....	604,890	375,456	68,775	90,829	121,004	28,337	97,037	....	1,386,328
Gratuities	....	....	21	37	....	....	8,850	508	....	....	9,416
Grand maneuvers	....	....	....	....	16,372	....	....	....	20,000	....	36,372
Preparing books for sale	5,998	7,343	12,014	14,860	12,600	11,400	12,708	14,000	15,000	15,000	120,923
Extension of arsenals [d]	1,553,836	1,721,448	180,684	....	118,036	306,349	327,407	....	....	....	4,207,760
Dispatching of warships	....	....	58,334	677,192	....	156,909	331,174	6,201,559	....	126,609	7,551,777
Coaling appliances for warships power-magazines	....	....	....	....	....	148,674	410,196	298,478	300,000	300,000	1,457,348
Aeronautics investigation	....	....	....	....	....	....	....	....	100,000	100,000	200,000
First period construction of Chinkai Naval Port	....	....	....	....	....	....	327,396	690,076	700,000	700,000	2,417,472
Working expenses for Korean coast grounds	....	....	....	....	24,443	30,510	16,926	38,512	....	....	110,391
Accommodations for naval coaling stations	....	....	151,580	390,261	178,317	144,824	64,164	....	....	....	929,146
Adjustments and equipments	....	....	....	9,387,396	10,682,475	9,277,603	8,049,032	....	....	....	37,396,506
Naval arsenals fund	....	1,293,259	907,645	1,119,457	1,534,465	123,309	....	....	....	....	4,978,135
Hydrographic survey	11,524	....	....	....	....	....	....	....	....	....	11,524
Naval expansion expenses	4,516,429	1,675,709	389,658	....	....	....	....	....	....	....	6,581,796
Chinese affairs expenses	....	....	....	....	....	....	....	531,182	....	....	531,182
Naval ordnance material fund	191,828	....	....	....	....	....	....	....	....	....	191,828
Miscellaneous [e]	....	....	4,151	22,859	195,853	36,648	35,615	....	188,763	148,964	632,853
Total	12,365,466	11,030,754	12,584,512	31,918,260	36,247,176	35,648,795	45,431,464	65,854,965	51,968,508	54,636,048	357,685,948
Grand total	21,169,437	24,116,289	41,794,303	64,903,892	72,385,058	72,726,123	85,888,059	108,355,529	95,084,817	99,863,957	686,287,464

[a] The figures for 1904–1911 are according to the settled accounts, and those for 1912 and 1913, to the budget estimates, but certain items have been amalgamated or abolished.
[b] For details, see table on p. 301.
[c] Includes warships construction and buildings, warships completion, supplemented warships, and armament additional expenses.
[d] Means improvement works in 1908–1910, and in 1906 and previously means Kure Arsenal extension.
[e] Miscellaneous means Chinese affairs additional expenses in 1913, educational arms completion in 1912, war history compilation and foreign war-vessels rescue expenses in 1910, war history compilation 1909, war history compilation and American fleet reception expenses in 1908, war history compilation in 1907, and expenses for special travels abroad in 1906.

TABLE 12.—ARMAMENT EXPENDITURES FOR THE NAVY, 1904–1913—*Continued*

Details of Expenditures for Military Affairs [a]

Items	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Salaries	1,383,607	3,646,293	7,221,856	8,088,958	8,620,417	9,123,863	11,613,889	12,155,436	12,633,140	12,823,189	87,310,648
Office expenses	221,547	201,723	261,943	407,884	440,649	450,102	445,404	440,791	440,391	432,335	3,742,769
Repairs	131,876	131,895	170,688	258,400	257,919	257,780	258,032	258,189	258,511	258,511	2,241,801
Traveling expenses	81,484	287,754	470,899	495,169	533,678	562,208	608,420	606,615	649,442	656,320	4,951,989
Sundry payments and expenses	264,922	204,279	446,911	501,480	491,193	340,572	347,882	328,253	328,059	328,059	3,581,610
Special allowances	91,074	165,147	283,962	434,503	358,706	384,826	316,780	310,699	329,301	333,142	3,008,140
Clothing	76,581	628,145	5,068,292	6,224,370	6,868,130	6,718,934	6,703,339	6,855,475	6,811,396	6,973,723	54,597,887
Provisions	266,577	1,402,925									
Shipbuilding and repairs	1,027,427	551,284	7,776,261	7,670,453	8,692,478	10,146,873	10,782,309	11,435,161	11,541,971	12,181,772	87,987,745
Naval ordnance and repairs	3,108,772	3,072,984									
Maneuvers	2,032	11,117	41,571	66,579	754,662	69,767	70,522	68,360	294,082	308,532	1,687,224
Patients	108,281	120,169	174,983	227,768	228,160	228,960	232,673	259,009	239,605	249,073	2,068,681
Naval ports and secondary naval ports	187,381	185,965	201,907	354,203	420,690	401,209	400,220	392,032	371,196	371,191	3,285,994
Maintenance supplies for warships	614,364	1,099,992	5,115,666	5,637,602	5,721,067	5,621,408	5,667,461	6,148,121	6,120,273	6,492,432	48,238,386
Aid money	229,918	257,811	270,793	295,022	300,378	303,454	325,258	337,657	322,049	322,049	2,964,389
Prisoners	3,931	3,856	4,405	5,398	5,859	5,117	5,578	5,027	6,312	6,993	52,476
Hydrographic expenses	114,986	138,568	179,930	275,707	258,758	267,255	270,520	265,305	242,714	161,351	2,175,094
Foreign employes	8,880	9,681	12,600	11,772	13,465	14,040	13,640	13,511	20,440	20,440	138,469
Secret Service expenses	38,000	50,000	50,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	698,000
Allowances for casualties	2,171	2,126	6,420	10,434	18,839	14,148	....	....	....	....	54,138
Compensations and legal expenses	12,381	979	12,617	2,158	33,638	643	....	....	....	....	62,416
Officers resident abroad	35,401	35,661	82,259	98,816	97,045	....	....	....	....	....	349,182
Experiments with warship types	....	....	....	....	....	....	....	9,902	....	....	9,902
Diversions to warship expenses	....	....	....	....	....	....	....	....	20,000	20,000	40,000
Total	8,011,593	12,208,354	27,853,963	31,146,676	34,195,731	34,991,159	38,141,927	39,969,543	40,708,882	42,019,112	309,246,940

[a] Ordinary Expenditures: Expenditures for military affairs under control of Navy Department; sectional particulars.

TABLE 13.—COMPARATIVE ANNUAL FIGURES FOR ARMAMENT EXPENDITURES, WAR EXPENDITURES DEFRAYED OUT OF GENERAL ACCOUNT, DEBT CHARGES AND ADMINISTRATIVE EXPENDITURES

Fiscal periods and years	Army armament expenditures	Army armament expenditures less annuities	Navy armament expenditures	Total armament expenditures	War expenditures defrayed out of general account[a]	Debt charge[b]	Administrative expenditures[c]	Total annual expenditures	Percentage of total annual expenditures			
									Armament expenditures	War expenditures defrayed out of general account	Debt charge	Administrative expenditures
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Per cent*	*Per cent*	*Per cent*	*Per cent*
First	1,575,734	....	30,000	1,605,734	4,621,633	....	24,277,719	30,505,086	5.3	15.2	....	79.5
Second	1,443,466	....	147,000	1,590,466	2,625,644	....	16,559,730	20,775,840	7.7	12.6	....	79.7
Third	1,424,545	....	301,124	1,725,669	1,546,984	....	16,835,020	20,107,673	8.5	7.6	....	83.9
Fourth	3,252,967	....	....	3,252,967	114,072	439,337	15,428,782	19,235,158	16.9	0.6	2.3	80.2
Fifth	7,699,347	....	1,848,994	9,548,341	3,638	439,337	47,738,709	57,730,025	16.5	....	0.7	82.8
Sixth	8,497,755	....	1,190,313	9,688,068	82,404	2,996,039	49,417,166	62,183,677	17.2	0.1	4.6	78.1
Seventh	8,733,176	....	1,685,237	10,418,413	3,229,879	3,254,140	66,267,126	83,169,558	12.5	3.9	4.0	79.6
Eighth	7,262,599	....	3,522,299	10,784,898	1,474,507	1,593,084	52,282,283	66,134,772	16.2	2.3	2.4	79.1
1875	6,959,736	....	2,825,843	9,785,579	489,553	4,645,302	54,282,908	69,203,342	14.0	0.8	6.7	78.5
1876	6,904,829	....	3,424,998	10,329,827	....	4,950,797	44,028,332	59,308,956	17.3	....	8.3	74.4
1877	6,087,934	6,049,797	3,167,512	9,255,446	....	16,774,928	22,397,950	48,428,324	19.1	....	34.7	46.2
1878	7,660,191	7,515,192	2,820,515	10,480,706	....	26,640,137	23,820,493	60,941,336	17.2	....	43.9	38.9
1879	9,384,320	9,229,885	2,820,515	12,204,835	....	21,749,653	26,353,090	60,307,578	20.1	....	36.0	43.9
1880	9,061,701	8,911,111	3,415,872	12,477,573	....	22,420,573	28,242,751	63,140,897	19.6	....	35.6	44.8
1881	8,966,864	8,818,579	3,260,719	12,227,583	....	27,747,123	31,485,615	71,460,321	17.1	....	31.8	51.1
1882	9,600,572	9,452,730	3,409,554	13,010,126	1,134,569	23,414,961	35,921,011	73,480,667	17.7	1.6	31.9	48.8
1883	10,849,827	10,704,214	6,160,599	17,010,426	103,018	28,658,303	37,335,112	83,106,859	20.5	0.1	34.5	44.9
1884	11,502,528	11,358,801	6,260,865	17,763,393	132,133	19,819,615	38,917,967	76,633,108	23.0	0.2	25.8	51.0
1885	10,436,848	10,365,980	5,334,131	15,770,979	6,955	14,101,377	31,236,052	61,115,363	25.7	....	22.4	51.9
1886	11,956,905	11,813,767	8,908,649	20,865,554	....	24,090,611	38,267,795	83,223,960	25.0	....	28.9	46.1
1887	12,758,674	12,617,358	9,842,707	22,601,381	....	21,419,890	35,431,965	79,453,036	28.4	....	27.0	44.6
1888	13,124,754	12,985,101	9,845,592	22,970,346	....	20,717,784	37,815,894	81,504,024	28.0	....	25.4	46.6
1889	14,477,437	14,339,100	9,363,708	23,841,145	....	18,362,110	37,510,416	79,713,671	29.8	....	23.0	47.2
1890	15,980,877	15,844,347	10,221,043	26,201,920	....	20,317,932	35,605,550	82,125,402	31.8	....	24.7	43.5
1891	14,647,751	14,515,468	9,596,565	24,244,316	....	18,515,800	40,795,775	83,555,891	29.0	....	22.2	48.8
1892	14,254,707	14,124,399	9,249,565	23,504,272	....	18,517,168	34,713,300	76,734,740	30.2	....	24.1	45.7
1893	15,472,066	15,299,413	8,274,575	23,746,641	....	19,455,918	41,379,313	84,581,872	28.0	....	23.0	49.0
1894	11,174,345	11,048,108	10,447,356	21,621,701	594,864	19,721,143	36,190,935	78,128,643	28.4	0.8	25.2	45.6
1895	10,827,703	10,706,346	13,698,479	24,526,182	196,262	24,190,858	36,403,877	85,317,179	28.6	0.2	29.0	42.2
1896	35,235,931	34,252,845	18,837,197	54,073,128	....	30,504,172	84,279,209	168,856,509	32.1	....	18.1	49.8
1897	56,666,041	55,694,224	50,097,856	106,763,897	....	27,300,959	89,613,988	223,678,844	47.5	....	12.2	40.3
1898	53,186,747	52,230,196	58,547,130	111,733,877	....	27,284,287	80,739,404	219,757,568	51.0	....	12.4	36.6

1899	54,930,923	53,979,203	61,930,438	116,861,361	....	32,885,787	104,418,489	254,165,637	45.5	....	12.9	41.6
1900	60,621,754	59,680,826	52,854,939	113,476,693	22,815,091	34,501,485	121,956,889	292,750,158	38.6	7.7	11.8	41.9
1901	53,734,896	52,788,124	43,456,900	97,191,796	12,828,710	35,777,814	121,058,504	266,856,824	36.6	4.8	13.4	45.2
1902	50,475,254	49,520,913	36,830,517	87,305,771	2,523,335	75,319,554	124,078,121	289,226,781	30.2	8.8	26.0	35.0
1903	49,114,163	48,172,774	36,661,330	85,775,493	2,845,597	35,895,399	125,079,742	249,596,231	34.2	11.6	14.4	39.8
1904	15,301,492	14,202,847	21,169,437	36,470,929	32,195,511	44,193,194	164,196,048	277,055,682	13.2	11.6	16.0	59.2
1905	20,271,559	18,931,333	24,116,289	44,387,848	110,310,827	124,398,585	141,643,945	420,741,205	10.6	25.2	29.6	34.6
1906	68,650,120	55,439,551	41,794,303	110,444,423	65,943,437	156,415,134	131,472,589	464,275,583	23.8	14.2	33.7	28.3
1907	111,087,666	98,939,006	64,903,892	175,991,558	-14,559,708	176,504,490	235,345,203	602,400,959	29.0	2.4	29.3	39.3
1908	141,785,930	131,379,173	72,385,058	214,170,988	1,161,633	178,942,644	242,085,828	636,361,093	33.4	1.8	28.1	36.7
1909	114,174,386	103,973,266	72,726,123	186,900,509	....	155,281,255	190,711,371	532,893,135	35.0	....	29.1	35.9
1910	114,522,274	104,432,138	85,888,059	200,410,333	....	171,461,147	197,282,547	569,154,027	35.0	....	30.1	34.9
1911	125,648,126	115,641,305	108,355,529	234,003,655	....	147,222,558	204,148,400	585,374,613	40.1	....	25.2	34.7
1912	119,556,212	109,530,858	95,084,817	214,641,029	....	142,323,811	236,731,605	593,696,445	36.0	....	24.0	40.0
1913	113,878,131	104,041,207	99,863,957	213,742,088	....	142,949,794	230,115,706	586,807,588	36.2	....	24.4	39.4
Total	1,630,821,763	1,478,529,485	1,196,578,100	2,827,399,863	281,539,964	2,164,115,789	3,861,900,224	9,134,955,840	30.9	3.1	23.7	42.3

[a] War expenditures from which were excluded the Satsuma Rebellion expenditures and the Sino-Japanese and Russo-Japanese war expenditures special accounts.
[b] Interest on domestic and foreign loans, amounts of principal redeemed expenses for issuing bonds, loan agents' commissions and sundry expenses.
[c] General account expenditures, less war and armament expenditures.

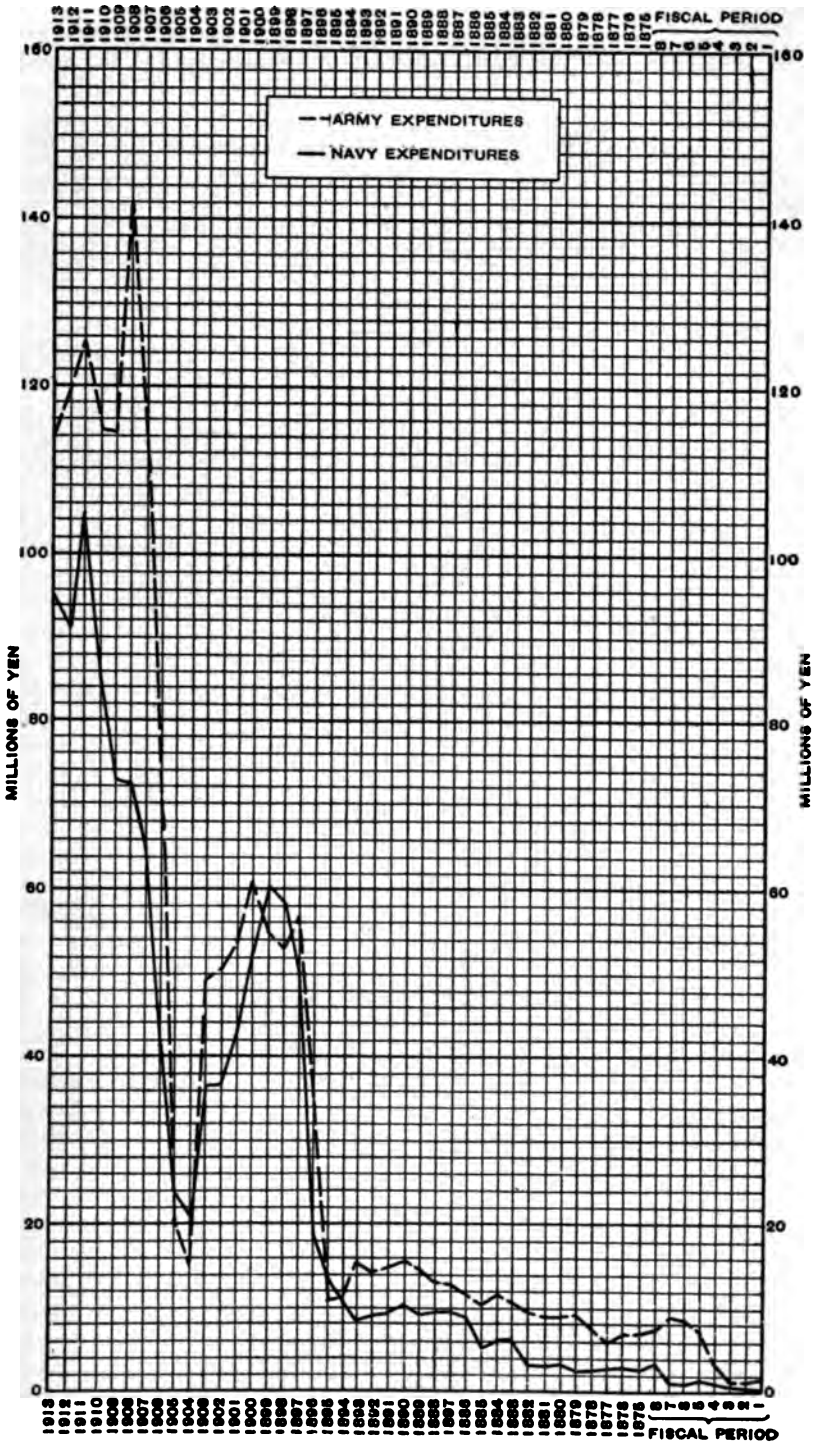


Chart 2.—Diagram comparing the Army Armament Expenditures with the Navy Armament Expenditures

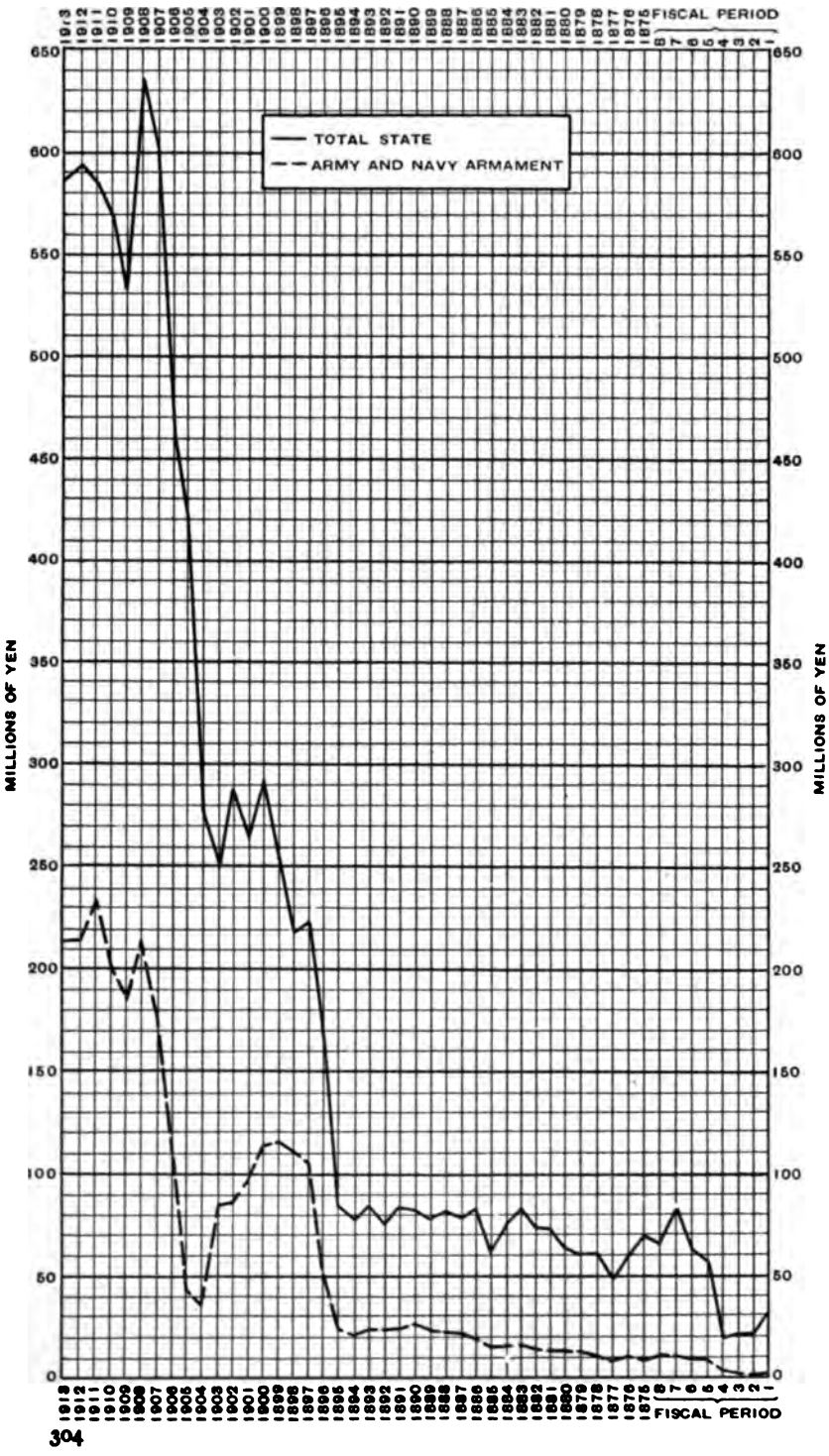


Chart 1.—Diagram showing the Army and Navy Armament Expenditures in Comparison with the Total State Expenditures

1899	54,930,923	53,979,203	61,930,438	116,861,361	....	32,885,787	104,418,489	254,165,637	45.5	....	12.9	41.6
1900	60,621,754	59,680,826	52,854,939	113,476,693	22,815,091	34,501,485	121,956,889	292,750,158	38.6	7.7	11.8	41.9
1901	53,734,896	52,788,124	43,456,900	97,191,796	12,828,710	35,777,814	121,058,504	266,856,824	36.6	4.8	13.4	45.2
1902	50,475,254	49,520,913	36,830,517	87,305,771	2,523,335	75,319,554	124,078,121	289,226,781	30.2	8.8	26.0	35.0
1903	49,114,163	48,172,774	36,661,330	85,775,493	2,845,597	35,895,399	125,079,742	249,596,231	34.2	11.6	14.4	39.8
1904	15,301,492	14,202,847	21,169,437	36,470,929	32,195,511	44,193,194	164,196,048	277,055,682	13.2	11.6	16.0	59.2
1905	20,271,559	18,931,333	24,116,289	44,387,848	110,310,827	124,398,585	141,643,945	420,741,205	10.6	25.2	29.6	34.6
1906	68,650,120	55,439,551	41,794,303	110,444,423	65,943,437	156,415,134	131,472,589	464,275,583	23.8	14.2	33.7	28.3
1907	111,087,666	98,939,006	64,903,892	175,991,558	14,559,708	176,504,490	235,345,203	602,400,959	29.0	2.4	29.3	39.3
1908	141,785,930	131,379,173	72,385,058	214,170,988	1,161,633	178,942,644	242,085,828	636,361,093	33.4	1.8	28.1	36.7
1909	114,174,386	103,973,266	72,726,123	186,900,509	....	155,281,255	190,711,371	532,893,135	35.0	....	29.1	35.9
1910	114,522,274	104,432,138	85,888,059	200,410,333	....	171,461,147	197,282,547	569,154,027	35.0	....	30.1	34.9
1911	125,648,126	115,641,305	108,355,529	234,003,655	....	147,222,558	204,148,400	585,374,613	40.1	....	25.2	34.7
1912	119,556,212	109,530,858	95,084,817	214,641,029	....	142,323,811	236,731,605	593,696,445	36.0	....	24.0	40.0
1913	113,878,131	104,041,207	99,863,957	213,742,088	....	142,949,794	230,115,706	586,807,588	36.2	....	24.4	39.4
Total	1,630,821,763	1,478,529,485	1,196,578,100	2,827,399,863	281,539,964	2,164,115,789	3,861,900,224	9,134,955,840	30.9	3.1	23.7	42.3

[a] War expenditures from which were excluded the Satsuma Rebellion expenditures and the Sino-Japanese and Russo-Japanese war expenditures special accounts.
[b] Interest on domestic and foreign loans, amounts of principal redeemed expenses for issuing bonds, loan agents' commissions and sundry expenses.
[c] General account expenditures, less war and armament expenditures.

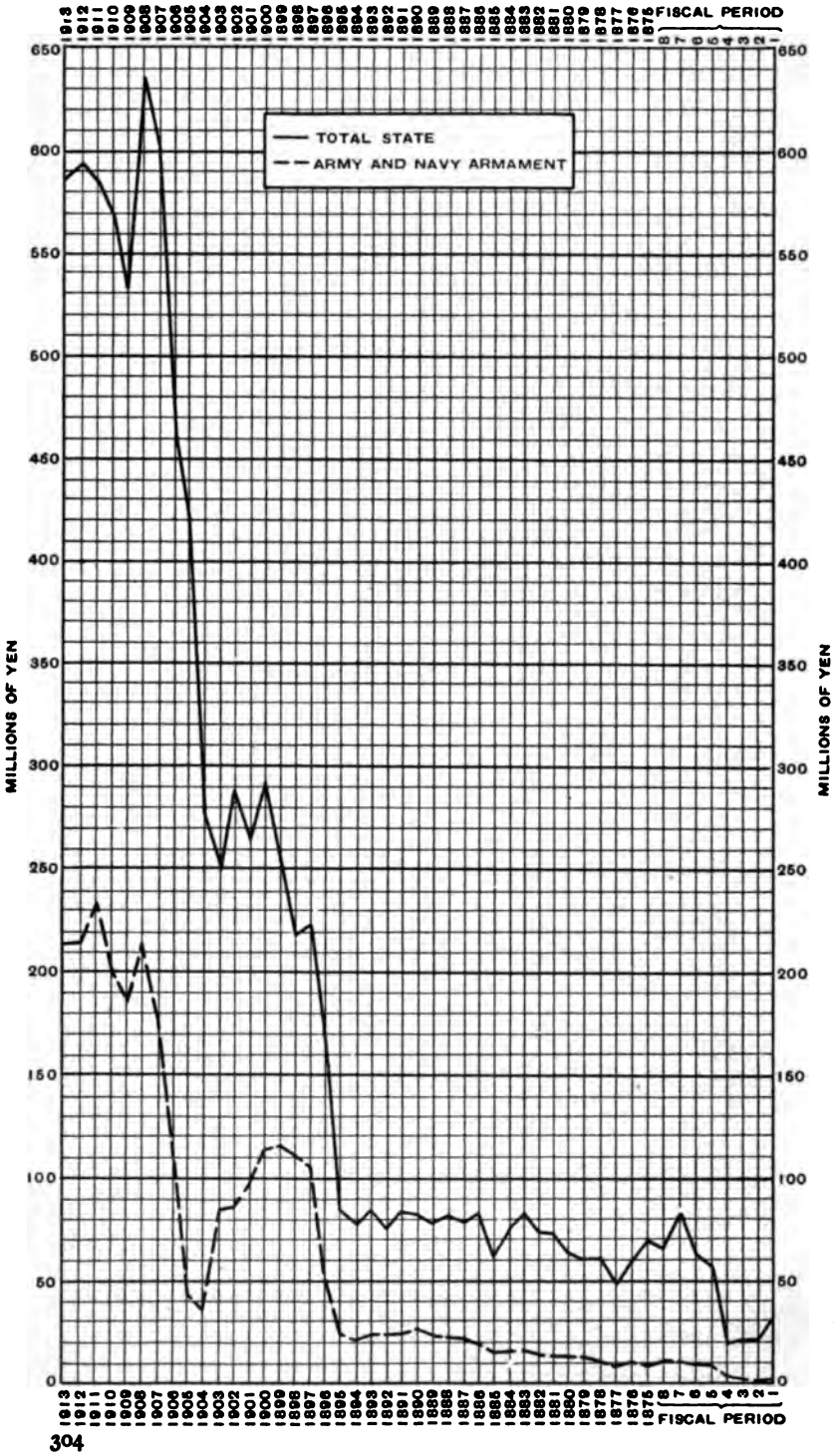


Chart 1.—Diagram showing the Army and Navy Armament Expenditures in Comparison with the Total State Expenditures

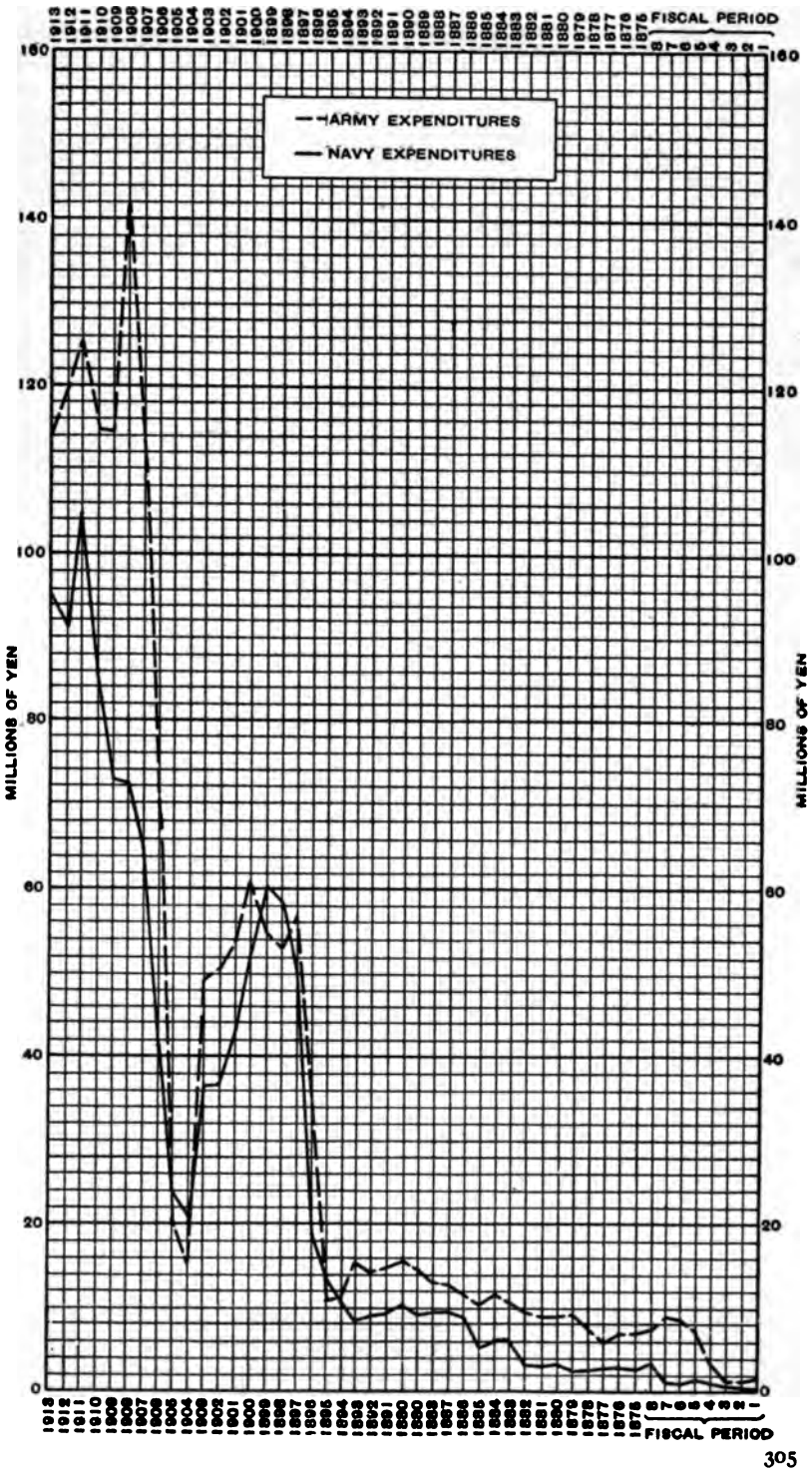


Chart 2.—Diagram comparing the Army Armament Expenditures with the Navy Armament Expenditures

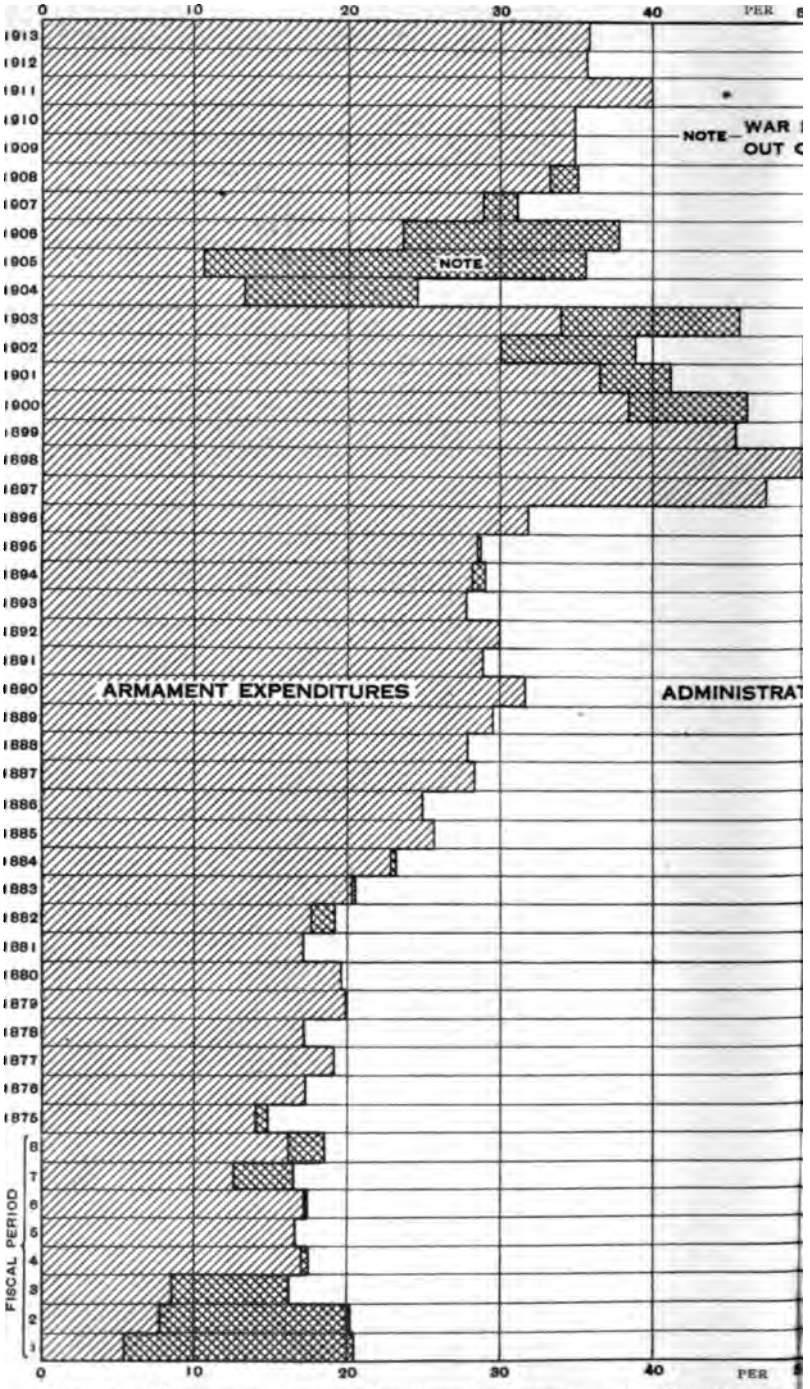
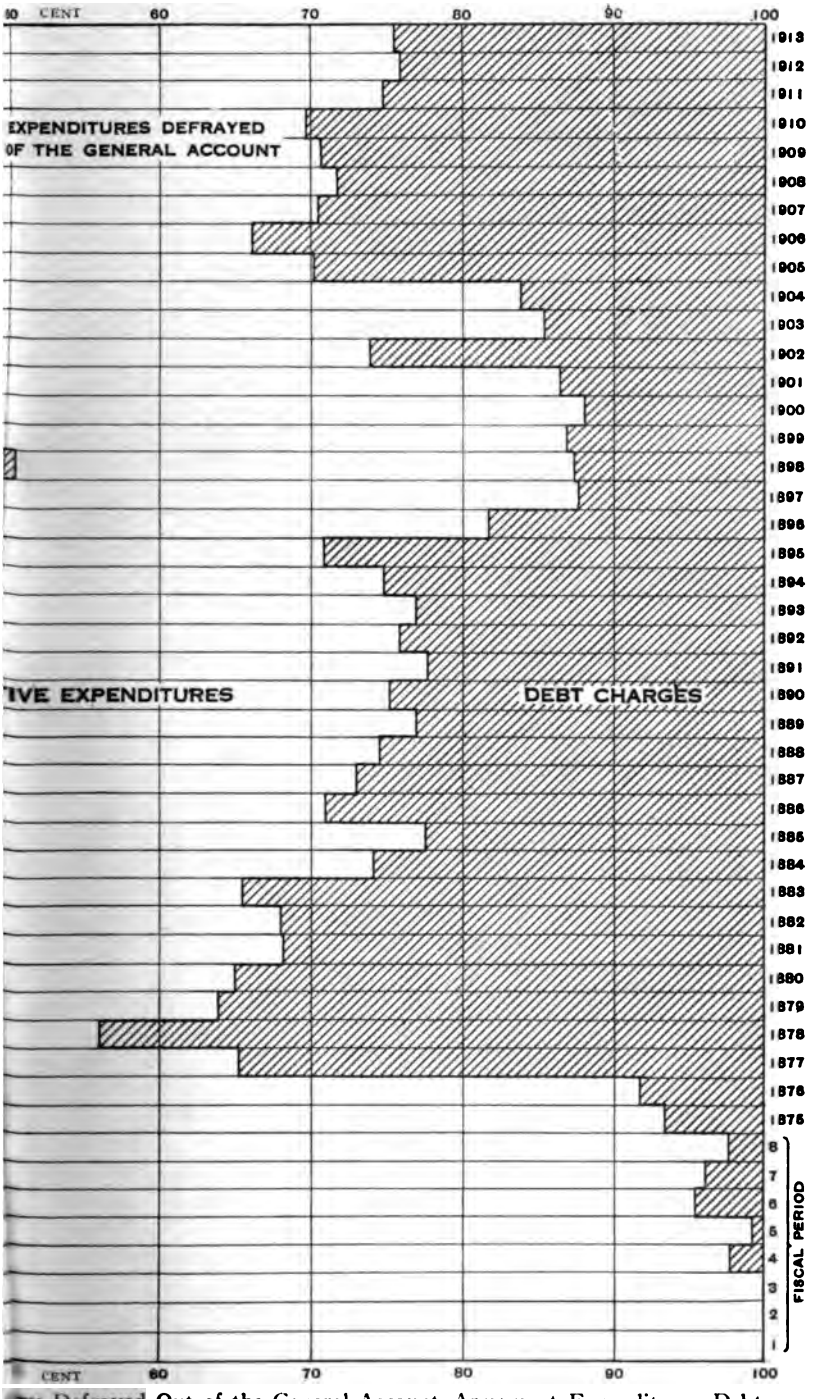


Chart 3.—Diagram of Comparative Annual Percentages for War Expendi
Charges, and Admin



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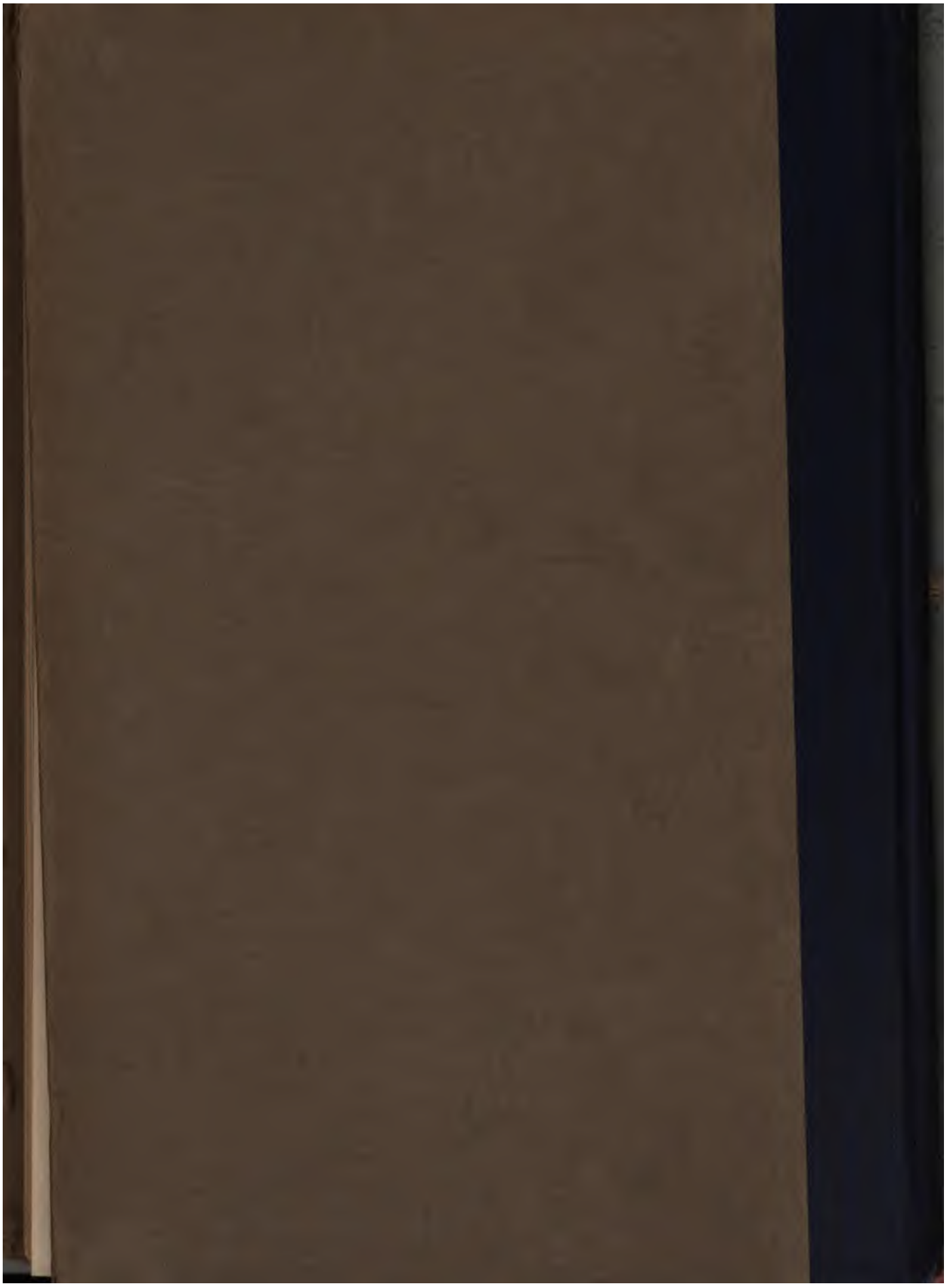
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